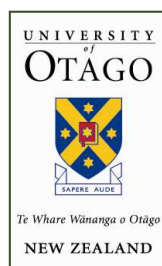

Mobilising Land for Affordable Housing

Policy Options for Private Development in Dunedin City



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MASTER OF PLANNING
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A research thesis submitted in
fulfilment of the requirements of Plan 5

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*This research project represents work undertaken by a student from
the Master of Planning programme at the University of Otago and should
in no way be seen to represent the views of the University of Otago.*

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ABSTRACT

The growing demand in New Zealand for suitable affordable housing options is at present a regular feature of media articles and state-of-the-nation reports. It is routinely claimed that the national housing market is in 'crisis'. While the accuracy of this statement largely depends on how that term is defined, we do know that housing affordability has been declining over recent years and that housing in New Zealand is now significantly more unaffordable than in many comparable nations. Dunedin City is no exception to this changing landscape, with one recent international study rating the region as being severely unaffordable. Factors such as population growth, reducing household sizes, and a lack of sufficient housing construction are all contributing to an increased level of stress in the housing market. Household incomes have not been rising as quickly as house prices. Consequently, housing in Dunedin City is becoming less affordable for a growing number of people.

This study explores a range of issues related to affordable housing and affordable land. It examines the local setting and the existing policy landscape to better understand why housing is becoming more unaffordable. Evaluation is undertaken of a range of measures which might contribute to reversing the present situation. In particular, the study considers whether there is an opportunity to better enable the mobilisation of land for affordable housing purposes as a component of private land development activities. The study is informed by a mixed method approach, making use of qualitative and quantitative data from primary and secondary sources.

The findings confirm that housing in Dunedin City is currently severely unaffordable and that it is likely to worsen over the foreseeable future unless steps are taken to implement an effective response. The findings also show that housing is significantly less affordable for households which occupy the lower income bands. One method that has been identified in the study as having potential to provide a meaningful response to the problem of declining affordability is the implementation of an inclusionary zoning policy. Such a policy could be utilised as a means of mobilising an affordable housing resource from ordinary land development activities, thereby allowing the policy to be applied at a reasonably broad scale within the local environment. Research shows that an inclusionary zoning policy, if designed carefully, may be able to deliver several favourable

outcomes, including expanding the City's housing capacity, stimulating land development activities, and allocating affordable housing outcomes in a targeted manner toward where they are most needed within the community.

Further to the study's findings in relation to the potential for an inclusionary zoning policy response, the research also suggests that an overarching affordable housing strategy should, in order to produce effective outcomes, include a range of implementation mechanisms that are able to function in a compatible and coordinated manner. To achieve this, the detailed design of an affordable housing strategy for Dunedin City, including its method of delivery, would best be undertaken as a collaborative endeavour with each of the local stakeholder groups invited to actively participate in, and contribute to, the initiative.

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Firstly, I wish to extend my deepest love and thanks to my wife, Christina, and my children, Rhianna, Thomas and Hunter. I am constantly amazed at the level of support and encouragement that my family has provided to me throughout the four years of study that has culminated in this work.

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I would like to acknowledge support of my workmates at Paterson Pitts Group who have unfailingly stepped up to cover the various times that I have been unable to attend to my regular job responsibilities due to class and study commitments.

Last, but certainly not least, I would like to thank my research interview participants, those people who have volunteered information and data which has contributed to this study, and everyone who has simply taken an interest or offered a personal view around the subject of housing affordability. The level of willing (and sometimes unsolicited) engagement that I have encountered while researching the subject of affordable housing demonstrates the seriousness in which this issue is regarded by the local community.

DISCLOSURE STATEMENT

This study investigates the feasibility of an affordable land policy for private development in Dunedin City.

In addition to being a part-time MPlan student, the study's author, Kurt Bowen, is currently working as a land development professional based in Dunedin. Kurt has gained more than 20 years of local experience with resource consenting processes, land development design and feasibility assessments, and property subdivision/tenure arrangements.

Clearly the research subject matter and Kurt's career experience are closely aligned. Furthermore, several of the interview participants approached for this study are known to Kurt through previous professional dealings.

While Kurt has made every effort to progress this research in a way that is insulated from his industry knowledge, it would be unreasonable to propose that the two things are able to be inherently isolated. It is therefore disclosed that the tenor of this research may be unconsciously influenced as a consequence of this relationship.

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LIST OF ABBREVIATIONS

2GP	Second-Generation District Plan
10YP	Dunedin's 10 Year Plan 2018-28
AL	Affordable Land
AH	Affordable Housing
AH:ETA	Affordable Housing: Enabling Territorial Authorities Act 2008
DCC	Dunedin City Council
DCDP	Dunedin City District Plan
Demographia	Annual Demographia International Housing Affordability Survey
Demographia (2019)	15 th Annual Demographia International Housing Affordability Survey: 2019
HAM	Housing Affordability Measure
HAP	Housing Action Plan
HASHAA	Housing Accords and Special Housing Areas Act 2013
HCA	Housing Capacity Assessment
HNZ	Housing New Zealand
HOPE	Housing Our People in our Environment
HPM	Housing Percentage Measure
HUD	Ministry of Housing and Urban Development
IRD	Inland Revenue Department
IZ	Inclusionary Zoning
LGA	Local Government Act 2002
MBIE	Ministry of Business, Innovation and Employment
MHWS	Mean High Water Springs
MSD	Ministry of Social Development
MSL	Mean Sea Level
MTFH	Mayor's Task Force for Housing
Nimby	Not-in-my-back-yard
NZPC	New Zealand Productivity Commission
ODT	Otago Daily Times
PC24	Plan Change 24
QLCHT	Queenstown-Lakes Community Housing Trust

QLDC	Queenstown Lakes District Council
REINZ	Real Estate Institute of New Zealand
RPSO	Regional Policy Statement Otago
RMA	Resource Management Act 1991
SHA	Special Housing Area
SPD	Spatial Plan for Dunedin
SHS	Social Housing Strategy
SNZ	Statistics New Zealand
SWS	Social Wellbeing Strategy
UK	United Kingdom
USA	United States of America

GLOSSARY

Affordable Housing	Housing that has an acceptable relationship between household income and expenditure on housing costs. This term includes the subsets known as social housing, public housing, intermediate housing and community housing.
Affordable Land	Affordable land means land that is specifically identified or designated as being intended to contribute towards a structured affordable housing outcome.
Community Housing	Community housing comprises the bracket of households in which members are not able to qualify for social housing but at the same time struggle to afford normal house purchase prices or market rental. In this study, the terms community housing has the same meaning as the term intermediate housing. Community housing is a subset of affordable housing.
Density Bonusing	Density bonusing allows developers to undertake a more intensive development than otherwise would have been permitted in exchange for providing particular outcomes that are desired by the community, such as a certain percentage of affordable housing units.
Family Flat	A Family Flat is described in the 2GP as being a secondary residential unit that is ancillary to a primary residential activity on the same site. The resident of a family flat must be a person related to, or dependent on, the household that lives in the primary residential unit.

Inclusionary Zoning	Inclusionary zoning involves the establishment of obligations on development activities to provide land, housing and/or financial contributions which can be used to support people who would otherwise be excluded from the community due to market conditions.
Intermediate Housing	Intermediate housing comprises the bracket of households in which members are not able to qualify for social housing but at the same time struggle to afford normal house purchase prices or market rental. In this study, the terms intermediate housing has the same meaning as the term community housing. Intermediate housing is a subset of affordable housing.
Land-Banking	Land-banking is where a landowner delays a development in anticipation of land prices rising at a future date.
Linkage Zoning	Linkage zoning refers to policy methods that evaluate the demand generated by a particular development so that suitable offsetting measures can be imposed. In this sense, the requirements that are placed on a development activity are directly 'linked' to the demands that it is expected to generate.
Local Authority	Local authority means a regional council or territorial authority (as defined in the Resource Management Act 1991).
Mobilisation	Mobilisation means the process in which land is transitioned from an underutilised state to a form that is able to contribute to the delivery of affordable housing outcomes.

Papakāinga	A form of housing development, usually undertaken on Māori land, that comprises a group of houses built to function as a community.
Plan Integrity	Plan integrity is the concept that the provisions of the district plan that are in place should be defended so that these are not eroded through the introduction of undesirable precedent. Plan integrity can be an obstacle to consents being granted, even when the proposal at hand is meritorious and the effects of the proposal activity are negligible. The local authority may still decide to decline the consent to avoid the perception of any obligation to grant subsequent consents of similar bearing.
Public Housing	Public housing means subsidised housing which is allocated to households with an identified need, and which is substantially controlled by a government or local authority. In this study, the term public housing has the same meaning as the term social housing. Public housing is a subset of affordable housing.
Shared-Equity Ownership	Shared-equity ownership arrangements are tenure arrangements in which the ownership of a property is legally shared in a secure format between the resident and the sponsorship organisation. This includes situations where an encumbrance is used to constrain the ability for the resident to on-sell the property.

Social Housing	Social housing means subsidised housing which is allocated to households with an identified need, and which is substantially controlled by a government or local authority (Needham and Kam, 2000). In this study, the term social housing has the same meaning as the term public housing. Social housing is a subset of affordable housing.
Territorial Authority	Territorial authority means a city council or a district council designated under the Local Government Act 2002. Territorial authorities are a subset of local authorities.
Transferrable Development Rights	Transferable development rights allow for additional development potential, provided the potential is transferred from lower to higher density areas (Cooney, 2009).
Value Uplift	Value uplift occurs when the designated land use of a particular area of land is modified from a lower-value land use to a higher-value land use, an example being the re-designation of rural land at the periphery of a city to residential land.

1 INTRODUCTION

The issue of housing affordability has been a growing concern in many parts of the world, including the focus area of this study. Affordable housing is commonly understood to mean the condition of the housing market in which there exists an *'acceptable relationship between household income and expenditure on housing costs for housing market participants'* (Worthington, 2012 p. 235).¹ Within this broad definition there are many dynamic and regionally-distinctive variables and relationships, and these need to be understood in order to determine what might be the 'acceptable relationship' for a particular community. A lack of affordable housing is often associated with an increase in issues related to health and poverty, financial stress, mental, physical and emotional suffering, and at a broader scale can cause an erosion to the social cohesion of a community. Businesses, and the local economy, can suffer as a consequence of employees not being able to afford to live near to their place of work (Centre for Housing Research Aotearoa New Zealand, 2006).

There are a variety of factors that contribute to the affordable housing dynamic, including household income levels, land purchase costs (and land availability), construction costs, the extent to which the state provides housing assistance, the presence of difficult or uncertain planning regulations, the level of community support or opposition to affordable housing options, city economics, and many others. The degree to which these factors contribute to the issue of affordable housing can vary significantly between different communities.

Studies in this subject often conclude that the most effective solution to addressing affordable housing issues can be achieved through the implementation of a set of coordinated initiatives that are specifically tailored to a particular region or community (Tsenkova and Witwer, 2011). By identifying the relevant factors that contribute to the affordable housing issue in a particular region, and by designing a collection of compatible initiatives to combat those factors, a community may be able to optimise its chances of achieving desirable outcomes in relation to affordable housing.

¹ This meaning is often represented as a house price-to-income ratio or a housing cost-to-income ratio.

This study aims to better understand how the issue of affordable housing applies to Dunedin City, a city of approximately 130,700 residents (Morris, 2018) located near the southern end of New Zealand, and to determine whether there is an opportunity for Dunedin City to develop and introduce a new local policy that will enable the mobilisation of land for affordable housing purposes from private land development activities.

No study has previously been undertaken to assess the suitability of an affordable land policy for Dunedin City, and accordingly it is hoped that the findings of this research will provide a meaningful discourse for further consideration by the relevant stakeholders.

A multitude of studies, reports and media statements have stated that New Zealand has a crisis in housing affordability (for instance; Warnock, 2010; Miller, 2019). The reducing level of housing affordability in New Zealand is thought to be a contributor to the recorded decline in the rate of home ownership in New Zealand, which is reported to have dropped 3.8% in the period 1996-2006 as younger households deferred their first home purchase (New Zealand Government, Department of Building and Housing, 2010). A media article by Lin (2015) suggests that the home ownership rate in New Zealand has dropped from 73.5% in 1991 to 64.8% in 2013.

Within New Zealand, Dunedin City is rated by the 15th Annual Demographia International Housing Affordability Survey: 2019 (Demographia (2019)) as being 'severely unaffordable' – the least affordable of the ratings that are available in the survey's classification system. This is despite an attempt by central government to stimulate greater housing construction throughout the country under its KiwiBuild scheme. In the period that KiwiBuild has been operating, between 2018 and 2019, not a single KiwiBuild home has been supplied to the housing market in Dunedin City.

The need to address affordable housing in Dunedin City has, like other parts of New Zealand, become increasingly apparent and vocal. In the last three years, population growth within Dunedin City has been occurring at a faster rate than at any time over the last twenty years (Stoker, 2019). Compounding this is the growth in house prices, which over the last three years has been increasing at an average of 13.6% per year (Dunedin City Council, 2019). If these growth factors were not difficult enough, the demand for housing is anticipated to grow even further over the next several years as the Dunedin Hospital rebuild project draws new labour resource into the region (Kiernan, 2019). The

stress placed on the housing market by these demand forces is expected to exacerbate the need for effective affordable housing solutions.

Policy interventions have been used to successfully mobilise land for affordable housing purposes in other parts of the world, including other regions of New Zealand.

A key piece of this research is the evaluation of an affordable land policy that is presently operating in New Zealand's Queenstown-Lakes District, and an understanding of the outcomes achieved by this policy. Queenstown-Lakes District was primarily selected as a case study area because its affordable land policy has been operating longer than anywhere else in New Zealand. Moreover, as Queenstown-Lakes District is located in Otago, along with the Dunedin City, the study will benefit from the areas sharing certain local government jurisdictions. Having said this, while Queenstown-Lakes District lies relatively close to Dunedin City, some 280km by road, there are some differences between the regions in terms of local economy, population demographics and the physical environments of each setting. An understanding of these differences is important so that any constraints associated with transferring affordable housing policy from the Queenstown-Lakes District setting into the Dunedin City setting can be understood.

One particularly pertinent component of many affordable housing strategies is the concept of enabling the community to capture a portion of the value uplift that normally occurs when a piece of land is transitioned from a relatively low-value land use activity (such as agriculture) to a considerably higher-value land use activity (in this case for urban development). In these instances, there is often scope for all of the participating stakeholders to share in the positive outcomes of a land development that is undertaken in accordance with the policy; the community will still be able to receive support for affordable housing programmes and private developers will still be able to achieve financial returns on their investments.

The sections below outline the overall research question and the supporting research objectives, the approach taken to conducting the study, the boundaries imposed on the research pathway, the structure of the research product, and finally the relevance of the research to application in the real-world.

1.1 RESEARCH QUESTION AND OBJECTIVES

The aim of this research project is to investigate the potential for implementation of a new policy within Dunedin City to promote the mobilisation² of affordable land as a component of private development initiatives. The majority of houses brought to the market in Dunedin City result from private development (traditionally the Dunedin City Council has not played a large role in the provision of new houses for the open market), and for this reason an affordable land policy targeting private development might be expected to achieve a more effective outcome than focusing on other land development pathways.

The research question for this study is:

‘How might Dunedin City enable the mobilisation of land for affordable housing as a component of private land development?’

To answer this research question, several key research objectives have been derived. These objectives are:

1. To explore the issues related to affordable housing and affordable land, and to understand what options are available to address these issues.
2. To understand how policy can be designed to enable mobilisation of affordable land as a component of private land development.
3. To describe what is ‘affordable land’ (as a component of ‘affordable housing’) in the context of Dunedin City, and to understand which aspects of, and to what degree, an affordable land policy might be supported by local stakeholders.

For the purposes of this study, affordable land is considered to mean land that is specifically identified or designated as being intended to contribute towards a structured affordable housing outcome.

The study will utilise a number of research sources and analysis methods to investigate the three objectives described above. The Discussion and Recommendations chapter of this study (chapter 6) will compile, consider and evaluate the various research findings, and in the end will present a number of key research results and a set of recommendations

² Mobilisation means the process in which land is transitioned from an underutilised state to a form that is able to contribute to the delivery of affordable housing outcomes.

for future consideration. The study will ultimately conclude by presenting an informed response to the original research question.

1.2 RESEARCH APPROACH

The study will use a mixed method approach to achieve the research objectives and to respond to the research question. A mixed method approach has been deemed to be the most suitable for the research because it utilises both quantitative and qualitative data. This approach is considered appropriate for the study as integration of various structured and unstructured data elements will provide a means to corroborate and compare the findings of different sources. The application of a mixed method approach when dealing with matters related to the built environment is supported in literature by Amaratunga, et al., (2002), in which it is suggested that the use of a single methodology risks the potential for relevant components of the research to remain unnoticed.

A combination of primary and secondary data will be collected. The primary methods will comprise semi-structured interviews and site observations, while the secondary methods will involve a literature review, policy review, legislation review, and an evaluation of the affordable housing setting in Dunedin City. Secondary research will also include a case study of the affordable land policy that is presently operating within the Queenstown-Lakes District planning environment. These various methods are expected to provide a comprehensive understanding of the issues around affordable land provision within the Dunedin City region.

The research pathway and methodology for this study is framed in the manner illustrated in Figure 1 below.

The framework outline illustrated in Figure 1 serves to demonstrate the structure and sequence of the research elements employed by this study to achieve reliable and robust research findings. This is discussed further in the Methodology chapter (chapter 3).

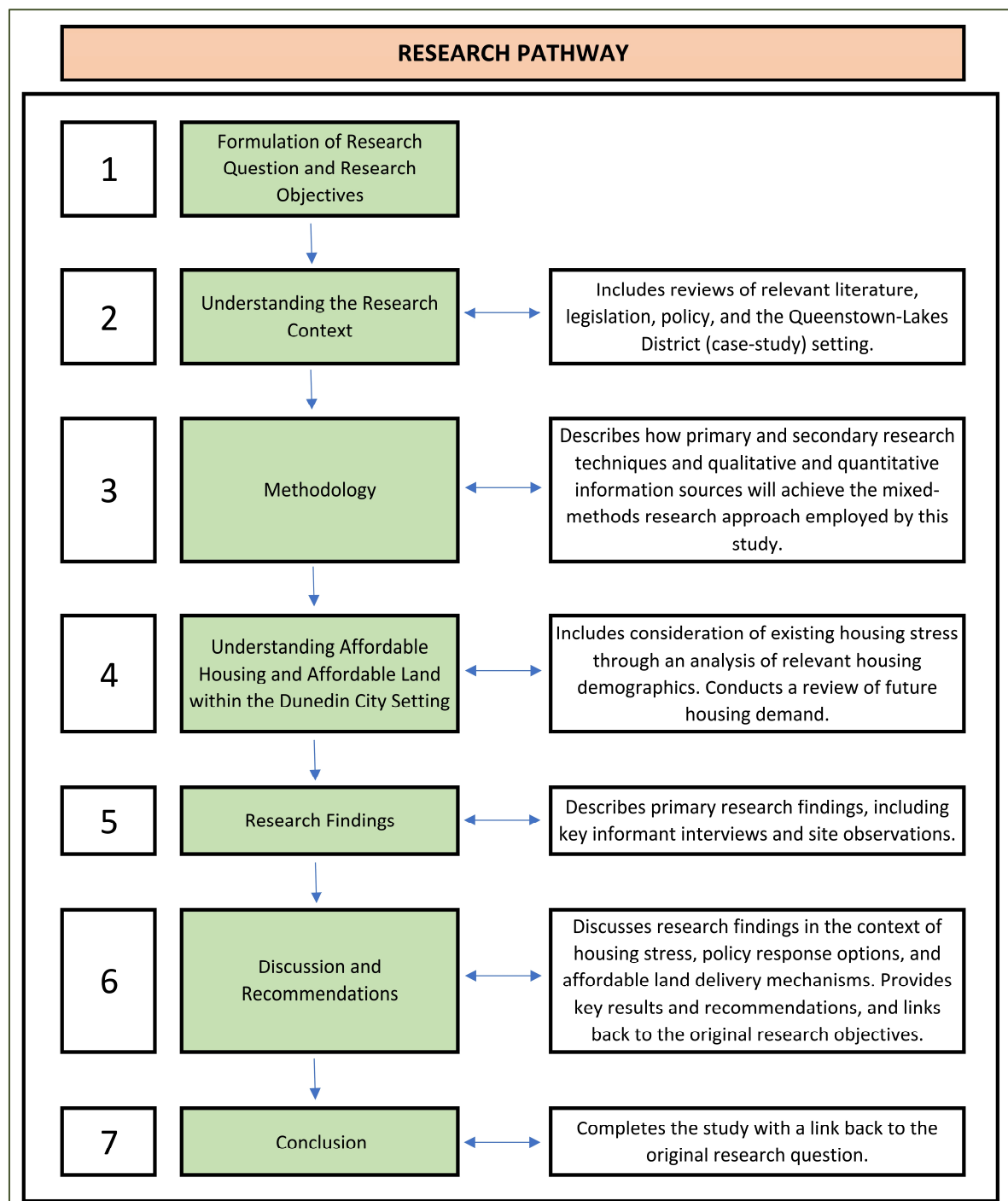


Figure 1: Research pathway.

1.3 RESEARCH BOUNDARIES

The subject of housing affordability is extensive. This study aims to inspect one relatively narrow branch of the subject, and this has required several research boundaries to be established in order to ensure that the study maintains its primary focus. The principle research boundaries are described below.

First, this study does not consider methods for more cost-effective construction of houses within designated affordable land sites. Similarly, the complex dynamic of city economics, including labour markets, immigration, tourism and guest accommodation, etc., is not deeply considered by this research. Further research may be beneficial in these respects.

Second, this research does not delve deeply into the nature of different forms of housing development and their implications for affordable housing. For instance, it is recognised that many non-conventional forms of housing, such as brownfields apartment living, co-housing and communal living developments, and papakāinga³ housing communities, all have a role to play in creating an overall housing environment that suits a broad spectrum of residents within a healthy society. This study focuses on how policy might be implemented to address the general issue of affordable housing – the question of whether the policy may need to provide for different forms of housing may require further research.

Finally, due to the short timeframe of the research programme, the study has not been able to engage with certain community sectors, such as Māori representatives, people who might qualify to occupy an affordable house, and vulnerable members of the community.

1.4 STRUCTURE OF THE RESEARCH

The research information is presented under seven main chapters, each having a collection of relevant sections and subsections, as outlined in the contents table shown on page vii above. The following chapter contains an appraisal of a range of information that shapes the present landscape of the research subject, including a review of pertinent literature, a review of relevant legislation and policy, and a review of a constructive case study region. Following that chapter, chapter 3 will outline of the methods used by the study, and chapter 4 will provide a detailed evaluation of the research subject as it applies to the Dunedin City setting, including an assessment of current and future housing needs, and the shape of the City's present response to these needs.

³ Papakāinga is a form of housing development, usually undertaken on Māori land, that comprises a group of houses built to function as a community.

Chapter 5 will present the primary research findings through describing and discussing a range of key informant interviews, and site observations of the case study region.

Finally, the study concludes with chapters 6 and 7, in which a number of key results and recommendations are developed and expressed. These chapters serve to collate the research material into a well-considered discussion and a number of meaningful conclusions, which will enhance the current body of knowledge in this area of research and ultimately inform decision-makers in Dunedin City as to how issues arising from increasing housing stress might be confronted.

1.5 RESEARCH RELEVANCE

With housing costs increasing at a greater rate than household incomes, the issue of how society can curb the accelerating levels of unaffordable housing is perhaps one of the most important questions presently faced in Dunedin City. It is recognised by many scholars and commentators that the issue of affordable housing is complex and dynamic, and that an effective solution (if indeed possible) may be most effective if it is able to include both a multi-pronged package of different delivery mechanisms, and the active and willing participation of a range of local stakeholders. This study hopes to identify how a policy to promote the mobilisation of land for affordable housing purposes as a product of private development projects in Dunedin City might contribute to achieving such an outcome.

The findings of this study will add to the existing body of knowledge that describes the affordable housing landscape within the study region. It is hoped that this research will provide constructive guidance to Dunedin City Council in the event that intervention into the property market becomes necessary to address issues related to housing affordability.

2 UNDERSTANDING RESEARCH CONTEXT

This chapter of the study comprises four parts. First a literature review of relevant international and national literature in relation to affordable housing is undertaken. This is followed by a review of relevant New Zealand legislation, an evaluation of various policy regimes that are employed by central and local government in relation to affordable housing issues, and to conclude this chapter a case study review is undertaken of the affordable land policy that is presently operating in Queenstown-Lakes District.

2.1 LITERATURE REVIEW

This section comprises the identification of published literature that is relevant to the issues of affordable housing and affordable land, and the options that might be available to combat these issues. The purpose of the literature review is to gain an understanding of previous research that has been undertaken in this area and to provide a baseline framework from which new primary research can be compared and calibrated.

The subsections below consider the issues that arise when housing becomes unaffordable within a certain community, the various approaches to measuring the affordability of housing and land, the actors that are involved in the affordable housing and affordable land space, and the range of methods that can be used to intervene in the market when housing affordability is recognised as being a significant problem.

2.1.1 THE HOUSING AFFORDABILITY CHALLENGE

Research suggests that when measured as a function of housing costs versus household income (i.e. using a 'cost-to-income ratio' method), housing affordability will worsen as housing costs increase at a faster rate than household incomes (Cooney, 2009; Centre for Housing Research Aotearoa New Zealand, 2006). This cost-to-income ratio is dynamic and responsive to many different contributing factors, however various studies report that housing prices in many markets have been generally increasing faster than incomes over recent years, particularly in respect to low-income and moderate-income households, resulting in the situation whereby houses that once might have been considered affordable are no longer so (Freeman and Schuetz, 2017; Thorns, 2009). A recent study by Austin, Gurran and Whitehead (2014) into affordable housing issues across Australia, New Zealand and England concluded that as housing affordability declined, a larger

proportion of households, including lower income households, were expected to require some help with their housing costs.

There are a range of clear and well-researched social impacts that can arise, or can be exacerbated, as a consequence of a lack of affordable housing. Issues related to health and poverty are difficult to improve or resolve where a household is struggling to maintain suitable housing. Financial stress can lead to mental, physical and emotional suffering at an individual household level, while at a broader scale harm can be caused to the social cohesion within a community where affordable housing affects a broad sector of society. Housing quality can be difficult to maintain, and houses can be overcrowded and/or inefficient. Affordable housing issues can force people to live far from their places of employment, and this can not only increase transportation costs for the household in question (placing further stress on the household's finances), but can also have the potential to adversely affect a community's economic development by making it more difficult for businesses to retain employees (Jowett, 2015; Bramley, 2007; Centre for Housing Research Aotearoa New Zealand, 2006).

Research shows that in many parts of the world housing unaffordability has been increasing. For instance, a recent study by Jowett (2015) suggested that rental affordability issues in Christchurch, New Zealand were, at that time, beginning to affect middle income earners, that there were increasing issues in regard to poor housing quality for renters, and that renting into old age presented possible financial hardship for retirees.

A difficulty that researchers of affordable housing issues often encounter is the extent of the property 'supply and demand' cycle (Thorns, 2009). Market volatility can be pronounced, and regions can change from a high-price market to a low-price market over relatively short periods of time as national and regional economies and other influencing factors rise and fall. Naturally, these market changes can have a significant effect on the measurement of housing affordability when applying a 'cost-to-income' type assessment. With this in mind, it is important that housing affordability is understood in terms of its likely duration, and related to this, the subject needs to be understood in relation to the type of households affected by affordability issues (for instance, a household entering the property market for the first time might be prepared to suffer certain affordable housing issues in the short-term until household income grows). The literature suggests that the

type of households most likely to face ongoing housing affordability issues are those in single-income, beneficiary and low-income brackets (Thorns, 2009).

Contributing factors to the household income side of the equation are numerous, and include national and local economies, inflation rates, workforce demand, etc. While it is certainly possible for strategies to be implemented by the state and by local authorities to increase household income levels, this can be difficult and can impact society in ways that are much broader than just targeting affordable housing issues. Whitehead (2007) suggests that raising income levels in general, where the income gap between those on higher salaries and those on lower salaries also increases, can work against affordable housing initiatives. For these reasons, the literature appears to convey a preference for either targeted income supplements (e.g. subsidies or price reductions for purchasers of affordable housing properties) or the implementation of programmes and policies designed to reduce the costs associated with the supply of suitable units, usually related to the production of land, infrastructure and housing (Whitehead, 2007).

Factors that contribute to an increased cost of housing include lower levels of land availability and high community-driven amenity values (Hui, Leung and Yu, 2014; Brueckner, 1990) as well as rising costs of materials, labour, compliance with government regulations and land purchase costs (Aurand, 2010; Ozanne and Thibodeau, 1983; Malpezzi, 1996).

The degree to which land is available for housing within a particular region is widely recognised within the literature as being a potentially significant feature in the provision of affordable housing. Regions in which available land is unable to adequately satisfy the demand for new housing (this can be either a low level of available land with a moderate level of demand, or a moderate level of available land with a high level of demand) are likely to experience increases in the purchase costs of houses and land which extend beyond ordinary inflationary increases (Dawkins and Nelson, 2002). Similarly, if land is available for housing, but is not being actively developed (e.g. as a consequence of land-banking⁴ by owners), then demand will likely increase and prices rise (Ozanne and Thibodeau, 1983). Housing demand (and price) is driven by factors such as population growth, local economy, interest rates and increased household income, and is further

⁴ Land-banking is where a landowner delays a development in anticipation of land prices rising at a future date.

influenced by the surrounding environment and availability of services and amenities (Aurand, 2010; Costello and Rowley, 2010). A recent study undertaken in the United States of America (USA) by Freeman and Schuetz (2017) found that increased demand for housing within central cities, combined with limited land availability, complex development regulations, stagnating income levels and a reduction in federal subsidies, contributed to higher-market-rate housing costs, which in turn strained the financial well-being of low-income and moderate-income households.

In respect to increases in property values that might occur as a result of community-driven amenity improvements, literature suggests that there is sometimes a tendency for existing communities to purposefully develop, protect and enhance their inherent amenity values over time (often through the implementation of planning controls), and that this naturally translates into increased housing values (Hui, Leung and Yu, 2014; Brueckner, 1990; Katz and Rosen, 1987; Dawkins and Nelson, 2002). This type of enhanced amenity value environment has a natural attraction for the construction of relatively high value houses, which can in turn lead to the exclusion of households which have income levels below the general average (Hui, Leung and Yu, 2014; Ihlanfeldt, 2007).

The literature informs us that central government and local authority controls can play a significant role in the costs of producing affordable housing. Regulations such as building codes and land use restrictions can result in greater construction costs, and can lead to lower production of new housing stock (Aurand, 2010). Government and local authority costs, such as consent process fees and development contribution levies, will also influence the level of housing supply (Katz and Rosen, 1987). Finally, the general attitude, or political will, of the state and local authorities, and their willingness to work with the private sector, is also an important factor in the level of housing provision which can occur in a particular region (Gurran and Whitehead, 2011; Austin, Gurran and Whitehead, 2014).

Studies have recognised that the mobilisation of affordable land can itself introduce new costs, including sometimes large transaction expenses (a consequence of complex negotiations) and costs related to the resolution of impediments such as lack of sites, infrastructure constraints and policy implementation (Buitelaar and Kam, 2012; Malpezzi, 1996). There can also be costs resulting from legal challenge to affordable land

initiatives, particularly in instances where the provision of affordable housing or land is proposed as a mandatory element of private development (Buitelaar and Kam, 2012).

Another important consideration of any affordable housing or affordable land enterprise is how the 'affordable' nature of the property can be maintained over time. This is particularly relevant where the initiative includes a subsidy of some form, in which an external organisation is essentially funding the programme, or where the scheme includes a selection process to determine suitable housing recipients. An example of this would be if an eligible recipient was to be gifted a discount on the purchase of an affordable home, only to then on-sell the property 6-months later and receive the full market value of the property. In this scenario, the second sale of the property effectively converts the affordable housing potential of the resource into a one-off financial benefit for the recipient. To restrict this activity occurring, it may be necessary for the affordable housing provider to retain some level of control over the affordable component of the property so that this value can be recycled over time between different recipients (Temkin, Theodos and Price, 2013). Many affordable housing schemes consider preservation of the affordable value of the housing resource to be of fundamental importance, particularly where the scheme's administering organisation has been tasked with operating the programme as effectively as possible, and over an indefinite timescale. However, it is also recognised that preservation of the resource in this regard will generally impose some level of additional administration cost on the affordable housing initiative (Freeman and Schuetz, 2017; Temkin, Theodos and Price, 2013).

Overall, it is clear that there is a general consensus within the literature relevant to housing affordability that the problem is complex and multifaceted, for which there is most often not just one solution (Jowett, 2015; Crook et al., 2006; Knaap et al., 2007; Thorns, 2009). This is usefully expressed in the suggestion by Jowett (2015, p. 65) that:

...a multi-pronged approach is needed to a challenging and complicated problem like housing affordability. What comes with the use of multiple tools is the need to coordinate them; how all the tools work, and how they work together, becomes very important.

The subsection below attempts to describe how literature conceptualises our understanding of affordable housing and affordable land.

2.1.2 UNDERSTANDING AFFORDABLE HOUSING AND AFFORDABLE LAND

There is a common theme within the literature that affordable housing is characterised by the market condition in which a community's housing can be occupied in long-term security without creating an unsustainable financial hardship on the resident household. It is recognised that one dynamic of affordable housing is the income level of the subject household, and for this reason the term affordable housing is regularly associated with those on low- or moderate-incomes (Jowett, 2015) or with those who might struggle to afford to buy or rent housing under general market conditions (Turk and Altes, 2010; Needham and Kam, 2004; Needham and Kam, 2000).

In addition to the definition of affordable housing stated earlier in this study, i.e. that affordable housing is the '*acceptable relationship between household income and expenditure on housing costs for housing market participants*' (Worthington, 2012 p. 235), the literature contains numerous other definitions of affordable housing. Several of these definitions have been usefully summarised by Granath Hansson (2019), in which different explanations of affordable housing include 'a shorthand for submarket social rented housing' and 'the intermediate housing market for rent and low-cost home ownership' (Gibb, 2011), housing with 'acceptable relationships between household income and expenditure on housing costs for housing market participants' (Worthington, 2012), and housing that is not 'expensive relative to its fundamental costs of production' (Glaeser and Gyourko, 2003). A 'residual income' approach is another method that can be used to assess housing affordability (Murphy, 2016).

The literature proposes that the provision of satisfactory housing is a particularly important element of community wellbeing, which should be viewed as a social priority alongside other necessities such as food security (Whitehead, 2007). This view is reached by understanding three contributing factors; first, knowing that the cost of housing is in the majority of cases a significant portion of a household's income (changes to which can have meaningful effects on living standards); second, that while all households have to compete in the same housing market those with fewer resources will be proportionately more disadvantaged; and third that most governments believe there to be an overall benefit to the welfare of society when certain minimum housing standards are achieved (Whitehead, 2007).

Another important distinction, when considering affordable housing concepts, is the understanding of how 'social housing' fits into, or overlaps with, the subject matter. Social housing has been generally defined as subsidised housing which is allocated to households with an identified need and which is extensively controlled by a government or local authority (Needham and Kam, 2000). This definition is consistent with the historic term 'public housing', which has been associated, mainly in the United Kingdom (UK), with long periods of state-owned subsidised rental property (Gurran and Whitehead, 2011). In many countries, social housing is associated with subsidies in the form of grants, financial assistance and public guarantees (del Pero et al., 2016).

The understanding in literature of social housing has led to a further term having been developed, being that of 'intermediate housing'. Intermediate housing comprises the bracket of households in which members are not able to qualify for social rented housing but at the same time would struggle to afford normal market rental or house purchase prices. It is suggested that households in this intermediate housing bracket might most effectively benefit from affordable housing strategies such as shared-equity and co-ownership schemes (Wyatt, 2018; Crook and Monk, 2011; Marom and Carmon, 2015).

A further term that has been used in some research papers is that of 'community housing'. This term often has the same meaning as intermediate housing, and has been adopted in this study as the preferred term to describe the subset of affordable housing which is specifically designed to meet the needs of low-income households that are not eligible to receive assistance at the social housing level.

Land is a critical component of all property, and accordingly the cost associated with securing and developing land will directly influence the overall affordability of the housing that is produced. In this sense, the concept of affordable land is that of a precursor to the production of affordable housing. The mobilisation of land for affordable housing purposes is often undermined by high market demand for land in general. Organisations seeking to produce land designed to support affordable housing initiatives can be faced with significant difficulties in securing suitable blocks of undeveloped land, particularly when competing against private development (which can anticipate higher financial returns). Similarly, rental incomes from affordable housing properties are relatively low (by necessity) and this again limits the extent of investment capital that might otherwise be available (Turk and Altes, 2010).

The following subsection considers how literature has described different techniques for measuring affordable housing, looking at both housing affordability at an individual level (i.e. measuring households on an individual basis) and housing affordability at a community level (i.e. assessing the general affordability of a broader region). The subsection also discusses how affordable land is able to be measured as a component of affordable housing.

2.1.3 APPROACHES TO MEASURE AFFORDABLE HOUSING AND AFFORDABLE LAND

One of the most common concepts used to evaluate housing affordability is a measure of the relationship between housing costs (or house prices) and household income, or what can be referred to as the 'cost-to-income ratio' (for instance; Marom and Carmon, 2015; Worthington, 2012; Tsenkova and Witwer, 2011; Aurand, 2010; Thorns, 2009). Within this concept there can sometimes be designed a range of simple or sophisticated variables to enable inclusion of relevant local factors that can influence costs and income, in order to provide a more refined assessment of housing affordability (Jowett, 2015). The 'cost-to-income ratio' method is discussed in greater detail in the next subsection of the study, in which the research explores the dominant methods found in the literature to determine whether households, communities and/or land achieve acceptable affordable housing measures.

2.1.3.1 Housing Affordability at an Individual Level

There is a tendency within literature towards defining affordable housing standards using the measure of the relationship between housing costs or house prices and household incomes, which can be described as the 'cost-to-income ratio' method. Variations of this method can be applied in a reasonably straight-forward manner when determining whether a particular household is considered affordable, provided that the benchmark against which this ratio is being assessed is known (i.e. what is meant by the resulting ratio value).

A number of studies have either determined or supported the use of a 30% ratio as the benchmark for assessing affordable housing. Accordingly, a house could be considered to be affordable if its cost (either its purchase cost or rental cost) does not exceed 30% of the household's pre-tax income (Marom and Carmon, 2015; Tsenkova and Witwer, 2011; Tsenkova and French, 2011; Aurand, 2010; Thorns, 2009). This measure can be used to

evaluate 'housing stress', whereby a household that pays more than 30% of its income towards accommodation costs is considered to be under stress (Thorns, 2009). An example scenario to illustrate this measure would be to consider that a household earning \$100,000 annual pre-tax income would be limited to spending \$30,000 (30% of income) on annual housing costs in order for the house to be considered 'affordable'. This equates to a weekly housing spend of \$577. Note, housing costs would normally include any applicable rates and insurance charges in addition to mortgage repayments or landlord rental costs.

Interestingly, a recent study by Cooney (2009) into housing affordability in New Zealand reports that from 1988 to 2007 the proportion of households that spent more than 30% of their income on housing increased from 11% to 26%. Cooney also reports that home ownership rates have decreased in New Zealand since 1986, falling from a peak of 73.7% ownership to a more modest 66.9% ownership by 2006.

Whereas some studies use the cost-to-income ratio approach, as described above, others, such as the Annual Demographia International Housing Affordability Survey (Demographia) uses an approach that is based on the relationship between house purchase price and household income. The Demographia survey introduces a range of rating categories to describe several levels of housing affordability, and a relatively simple calculation that divides median house price by median household income will provide a result that allows the subject community to fall into one of the defined rating categories. Calculated rates of 3.0 and under are classed as 'affordable', rates of 3.1 to 4.0 are classed as 'moderately unaffordable', rates of 4.1 to 5.0 are classed as 'seriously unaffordable', and rates of 5.1 and over are classed as 'severely unaffordable'. These rating categories are shown in Figure 2 below, sourced from the Demographia (2019) report.

Table 1 Demographia International Housing Affordability Survey Housing Affordability Ratings	
Housing Affordability Rating	Median Multiple
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over
Median multiple: Median house price divided by median household income	

Figure 2: The rating classifications used by Demographia.

New Zealand, according to Demographia (2019), has the second-most unaffordable level of housing out of all of the countries assessed, being topped only by Hong Kong. New Zealand has an overall median multiple rating of 6.5, Hong Kong rates at 20.9, and all other countries surveyed rate between 3.5 and 5.7. The average rating between the countries surveyed by Demographia (2019) is 4.0, which falls into the ‘moderately unaffordable’ category. The chart in Figure 3 below shows the Demographia (2019) survey results at a national level for all countries surveyed. Note, the chart heading refers to 2018, which is the year during which the Demographia (2019) data was collected.



Figure 3: The housing affordability results from the Demographia (2019) survey.

The Demographia (2019) report states that the approach employed by the survey is widely used for evaluating housing markets, and that it has been recommended by the World Bank and the United Nations. However, there is some contradiction in this regard posed by Murphy (2016), which claims that this is not entirely accurate and that the use of purchase price (rather than housing costs) may be introducing an unnecessarily coarse unit of the measurement to the assessment. The idea that the use of house purchase price is an insufficient metric in assessing housing affordability is supported by others (see; Jowett, 2015; Organisation for Economic Cooperation and Development, 2005). Of further relevance is other research by Habitat (2002), which suggests that house price to income ratios between 3 and 5 can be viewed as being normal or satisfactory in respect of housing affordability (a ratio of 5 in the Demographia system would rate as seriously unaffordable).

It is worth expanding on the limitations that are perceived to exist with the Demographia approach. First, the use of median purchase price and median income levels means that the affordability rating is referenced to the middle-income bracket, and therefore does not consider more refined income bracket bands, particularly low-income bands, specifically in its assessment. It is recognised, however, that the methodology could easily be restructured to provide a focus on particular income submarket bands (provided that both sides of the equation are linked to the same band). Second, using the purchase price as opposed to actual housing costs introduces a generalisation that assumes all houses within the subject community have been purchased at the current price point, whereas it is perhaps more likely that many of the constituent houses have been purchased in years before, at meaningfully different prices. This assumption is fair when evaluating the housing affordability for a household looking to enter the housing market (i.e. the point-of-purchase affordability), but does not accurately reflect housing affordability in respect of households that are already present within a subject community (i.e. the established affordability).

The information shown in Table 1 below, sourced from Tsenkova and French (2011 p. 13) provides a useful summary of the dominant methods for measuring housing affordability. This table describes the house price-to-income ratio method (column 2), which is the method used by Demographia. Column 3 describes a house rent-to-income ratio method, which produces a relationship ratio that is more closely aligned with current market-

based housing costs,⁵ and can provide a better measure of housing affordability for low-income households. Column 4 describes a house cost-to-income ratio method for measuring housing affordability. This method can be useful as a means of determining a household's residual income after housing-related expenditure has been deducted.

Table 1: Methods for measuring housing affordability.

	House Price-to-Income Ratio	House Rent-to-Income Ratio	Housing-related expenditure as a percentage of income
Measure	Median house price divided by median household income. The ratio of the median free-market price of a dwelling unit and the median annual household income.	Median annual rent divided by median annual renter household income. Incomes are median gross incomes of private and public renter households.	Annual median household income divided by annual median housing expenditure (mortgage payments, rent, services, taxes, insurance, etc).
Warning Trend	Very high or rising ratios imply that either there is no effective housing market or that land is extremely scarce, generally owing to regulatory inefficiencies or restrictions.	High values imply that supply is not keeping up with demand and affordability is low. Low values usually imply controlled tenancies or a high proportion of public housing.	A high percentage indicates housing is negatively impacting on meeting non-housing basic needs and the housing market is not functioning properly.
Significance	A key measure of housing affordability. Also generally regarded as the single indicator that gives the greatest amount of information about housing markets.	A key measure of housing affordability, especially for low-income households who may be unable to purchase housing.	It can account for essential non-housing expenditure such as food, water, clothing, schooling, transport, etc and the decisions households make regarding housing and non-housing expenditures.

⁵ The rent-to-income ratio method has the benefit of potentially offering a more relevant result when evaluating the affordability of an established household. This is because rental values can be expected to generally fluctuate in line with the current house purchase market, thus removing the dynamic of a house that is purchased at a previous price point.

2.1.3.2 Housing Affordability at a Community Level

The above subsection discusses how affordable housing is able to be measured on an individual unit basis (although it does necessarily stray into community assessment territory). Clearly, when evaluating housing affordability at that level the outcome can be subject to dramatic change due to the presence of highly dynamic circumstances (e.g. changes to household income, household relocation to a new property, changes to mortgage rates or rental rates, etc.). In this subsection the study looks at the approaches available for evaluating housing affordability across a broader community, which allows many of the dynamic circumstances that influence individual household situations to be represented in a generalised fashion.

In the literature, the measure of a community's housing affordability is often described in a similar manner as the cost-to-income ratio method, but with an additional qualification included to enable the evaluation of a suitable representative 'community-wide' household income value. One method of determining whether a community includes sufficient affordable housing, discussed by Cooney (2009), is described as being an assessment of whether the housing costs of households in the lower 40% of the income distribution exceed 25% to 30% of their income. This method is essentially consistent with the 30% cost-to-income ratio used to evaluate stand-alone households, but applies the additional function of specifically limiting the assessment to the lower 40% of incomes to ultimately achieve a community-wide evaluation of housing affordability. This method is also recognised in by Costello and Rowley (2010) and Beer, Kearins and Pieters (2007). For this assessment to be meaningful, it is necessary for a representative value for housing costs to be determined in the same way as income levels, i.e. if using the 40th percentile of incomes then the 40th percentile of housing costs should also be sensibly applied.

A slightly different approach is taken by the authors of the Demographia report, as discussed in the subsection above, which uses a 'median multiple' approach to determine the overall housing affordability for a particular community (i.e. the median multiple across the full household income spectrum). This approach uses a calculation that divides the median house price for the region by the median household income for the same region, with the results being allocated into the Demographia categories previously described. In the Demographia (2019) report, New Zealand has a median multiple rating

of 6.5 while the submarket of Dunedin City has a median multiple rating of 6.1. Both of these ratings fall inside the 'severely unaffordable' category.

It is relevant to note that the 'median multiple' measure, as applied by Demographia surveys, has been incorporated into New Zealand legislation as part of the Housing Accords and Special Housing Areas Act 2013 (HASHAA). HASHAA allows central government and the Housing Minister to influence land supply in New Zealand for the purposes of residential development (Jowett, 2015; Murphy, 2016). This method has replaced the traditional approach by the New Zealand government, which used a price-to-income ratio for households in the lower-quartile of incomes, as a means of assessing housing affordability (Murphy, 2016). It is however interesting to see that in other parts of the world the use of a lower-quartile approach to assess housing affordability is gaining traction. Moreover, Murphy (2016) expands further to suggest that greater focus within housing affordability assessment processes is being placed by some authorities on the lower income groups, recognising that higher income households may voluntarily take on higher housing costs (thus disproportionately influencing the results of a median income method). These policymakers have been moving to adopt a 30/40 rule, in which housing affordability assessments are restricted to only the lowest two income quintiles (i.e. the 40 value as a percent). The 30 value refers to the maximum percentage of income that should be dedicated to housing costs.

Finally, to provide a defence of the median approach, there is literature available that suggests if affordable housing is implemented at the median income bracket then this will provide a transfer of indirect affordability benefits to the lower income bands. It is suggested that this will occur as a consequence of existing housing units becoming more available at the lower income level (and therefore cheaper on the open market) as other households move up into the newly created middle income affordable housing units (Jowett, 2015; New Zealand Productivity Commission, 2012).

Having discussed how literature expresses different methods for the measuring of affordable housing, the next subsection looks more closely at the methods of assessing affordable land as a sub-component of housing.

2.1.3.3 Rationalising Affordable Land

The focus of this study is to look at how Dunedin City may be able to mobilise land for affordable housing purposes. With this in mind, an understanding of how land costs impact the ability to produce affordable housing resources is critical. However, it is necessary for this study to also recognise that the contribution of land towards affordable housing outcomes is only a portion of the total property value associated with the affordable housing resource. To produce an affordable house, the provider will also need to produce and manage other components of the property, the largest cost of which is generally expected to be the actual construction of the dwelling unit.

While there is a relatively large volume of literature available on the subject of affordable housing and how this can be measured, there appears to be substantially less research material available in relation to the how affordable land can be measured as a discrete component of affordable housing.

In essence, affordable land is considered by this study to be the product of a development process in which one or more vacant land parcels are intentionally dedicated to support the mobilisation of affordable housing initiatives (or a financial payment is made as an alternative to land gifting). In this sense, affordable land is often focused on the provision of vacant land at a nil or heavily reduced cost, so that even if it is necessary for new housing units to be built at market cost the overall completed property is still able to function as an affordable housing resource (Cooney, 2009).

Critically, in respect to affordable housing, literature discusses the difficulties that providers of affordable housing resources encounter when attempting to acquire suitable land. The principal difficulty relates to the need for providers to secure suitable land often at below market rates, and their ability to do this when the land market is in a competitive state, which leaves them sometimes having to settle for land that others do not want (Needham and Kam, 2000). Literature also suggests that providers of affordable housing are more likely to wish to secure land at discounted rates, as a preference to finding lower-cost options through house construction processes (Needham and Kam, 2004). This is because lower-cost construction can lead to inferior standards and greater ongoing maintenance and management costs.

The Demographia (2019) report provides some potentially useful guidance around the provision of land for affordable housing initiatives. In particular, it is suggested that the proportion of land cost, compared to the overall cost of the complete affordable housing package, should be 17-23%.

In support of the 17-23% proportion of land value to overall property value, a study in the USA by Glaeser and Gyourko (2003) suggests that the value of land should be about 20% of the value of the property.

The value of land as a proportion of the value of a newly built property is highly dynamic. In just about any city the world over there will be neighbourhoods of varying desirability. While construction costs (for the same house) might not be expected to be particularly different between neighbourhoods within the same city, it is entirely possible that the land purchase cost could be vastly different. In these instances, the 20% ratio of land cost to property cost may be less applicable. Accordingly, it is essential to understand that this 20% ratio is a guide for affordable housing considerations, and not necessarily representative of the actual situation in many places.

This next subsection of the study considers the roles of the different actors within the affordable housing landscape.

2.1.4 ACTORS IN THE SUPPLY OF AFFORDABLE HOUSING AND AFFORDABLE LAND

There are various actors that routinely participate in the processes that control and influence the provision of affordable housing and affordable land. These actors include central governments, local authorities, public and not-for-profit housing agencies, and private sector development organisations. Each of these actors are discussed under the applicable headings later in this section.

The literature informs us of the contributions that each group of actors can offer towards successful provision of affordable housing and affordable land. It also shows us that different actor groups have different strengths (and conversely different weaknesses) in respect of the various elements involved in the processes behind the implementation of affordable housing initiatives (Tsenkova and Witwer, 2011). Accordingly, it is perhaps reasonable to infer that if all actors can be enabled to provide an optimal contribution

towards successful affordable housing outcomes, then the initiative will have the greatest chance of success and the most effective results.

A well-coordinated, inclusive and proactive framework that supports contributions from all groups of actors in the affordable housing landscape is desirable. It can be expected that such a framework, when operated alongside a good land use planning system and an organised urban scheme, will be able to generate both better social welfare outcomes and higher land values (Whitehead, 2007).

2.1.4.1 Central Government

There is no question that in many countries the state has traditionally had a significant role to play in the provision of affordable housing. Some governments have maintained their commitment to providing affordable housing solutions, however many governments have withdrawn, to various degrees, from this arena, preferring to either divest these responsibilities to local authorities or to rely on the market to achieve a balance in respect of the type and cost of housing (Crook and Monk, 2011; Whitehead, 2007; Murphy, 2016). A notable exception to this is Hong Kong, within which land disposal and housing development are routinely controlled by the state through land leasing arrangements (Hui, 2004).

One reason that is sometimes offered by central government as justification of a retraction from the delivery of affordable housing programmes is the idea that local authorities are often better placed to identify and respond to the needs of their communities. This view suggests that by enabling local authorities to develop targeted planning instruments in response to affordable housing issues, more efficient outcomes and reduced cost to central government can be achieved (Austin, Gurran and Whitehead, 2014). Another reason for the decline in government involvement in affordable housing initiatives in many countries is the reduction in the availability of free or subsidised state-owned land as a consequence of competing land use requirements and pressures from the national economy (Austin, Gurran and Whitehead, 2014).

Some studies suggest that there is still a critical role for governments to play in respect of subsidising and investing in affordable housing, and that simply leaving the issues of affordable housing to be dealt with by local authorities and the open market is not enough (Needham and Kam, 2000; Crook et al., 2006). These studies tell us that the state has a

role in assisting providers of affordable housing to secure suitable land, when these providers find themselves unable to compete in an open market against private sector organisations. However, this active involvement can present a challenge to those governments that prefer a more neoliberalist approach in which it is preferable for their role to be reduced to just facilitating actions by others (Jowett, 2015; van den Nouwelant et al., 2015).

Central government is also able to address affordable housing issues through the enactment of specific legislation (this is a function that cannot generally be divested to local authorities). In the UK, the provision of affordable housing is a 'material consideration' for planning consent processes controlled by the Planning and Compensation Act 1991 (Austin, Gurrán and Whitehead, 2014; Crook et al., 2006; Whitehead, 2007). Section 106 of this statute contains a number of several defined objectives, including fostering mixed communities and ensuring that the costs of the affordable housing mobilisation is borne by developers (Austin, Gurrán and Whitehead, 2014; Stephens, Whitehead and Munro, 2005).

The s106 legislation is structured to support a case-by-case negotiation process between the consenting authority and the developer, with the aim of achieving both meaningful affordable housing outcomes as well as an economically feasible development (Austin, Gurrán and Whitehead, 2014). Buitelaar and Kam (2012) report that the use of the s106 negotiation process has been significantly successful in terms of providing desirable affordable housing outcomes.

However, legislation is not always as successful as governments would like. For instance, in Scotland the success of affordable housing provisions, which are governed under the Town and Country Planning (Scotland) Act 1997, has been reported as being 'extremely modest' (Buitelaar and Kam, 2012).

In New Zealand, central government has introduced several statutes that, over recent years, have been either directly or indirectly applied to address affordable housing issues. These statutes include the Resource Management Act 1991 (RMA), the Affordable Housing: Enabling Territorial Authorities Act 2008 (AH:ETA), and the Housing Accords and Special Housing Areas Act 2013 (HASHAA). All of these statutes have had impacts on the affordable housing landscape in New Zealand (these regulations will be discussed in

greater detail later in this study). The RMA does this through introducing the principle of sustainable management of resources in a manner that enables communities to provide for their social and economic wellbeing (Cooney, 2009), the AH:ETA has enabled local authorities to require or facilitate the provision of affordable housing as a component of private development (Freeman and Schuetz, 2017; Jowett, 2015; Warnock, 2010; Cooney, 2009), while the HASHAA has been furthering affordable housing objectives by facilitating an increase in land and housing supply in certain regions through special housing accords (Jowett, 2015).

Legislation is often informed by reports or enquiries that are specifically commissioned by state departments. For instance, in New Zealand, a recent housing affordability inquiry report by the New Zealand Productivity Commission (2012) recommended that additional land needed to be mobilised in support of affordable housing purposes. Suggested methods to achieve this included modification to legislation and planning policy to simplify and speed up the regulatory processes controlled by these instruments. The New Zealand Productivity Commission (NZPC) report, and other similar reports, have contributed to the enactment of the HASHAA in New Zealand, and the establishment of the country's KiwiBuild scheme. The KiwiBuild scheme, which initially proposed the creation of 100,000 homes for first home buyers through the decade between 2018 and 2028, maintains three core aims (KiwiBuild, 2019a):

1. To increase home ownership in New Zealand.
2. To increase the supply of affordable homes in parts of New Zealand where there is a shortage.
3. To use government procurement to foster innovation and reduce the cost of building new homes.

Beyond creating legislation and national housing strategies, a further activity that governments can take to advance affordable housing outcomes is the publication of good practice guidelines to assist local authorities and developers in providing efficient and effective solutions to address their specific local needs (Crook et al., 2006).

Critically, collaboration of the state with other participants (local authorities, housing agencies, developers, etc.) in the affordable housing landscape is observed within literature as an important activity. In particular, shaping the fiscal environment within which affordable housing initiatives are able to efficiently operate is seen as a core

function of the state, as is research into methods to reduce development costs through innovative construction (Tsenkova and Witwer, 2011).

2.1.4.2 Local Authorities

As noted in the section above, there is a tendency in modern times for governments to divest a significant degree of responsibility for affordable housing to local authorities. Local authorities, and their community-elected representatives, tend to be the first point of contact by those who have concerns over affordable housing issues. Thus, local authorities, such as Dunedin City Council, play a pivotal role in understanding the issues of affordable housing that exist within their communities, and they are expected to share, if not lead, a commitment to improving housing affordability (Jowett, 2015; Dawkins and Nelson, 2002).

Local authorities are certainly faced with challenges in being able to resolve affordable housing issues. These can come in the form of frequently changing national strategies (particularly when new political parties take office) and the limited level of financial resource that is available to dedicate to the task. A further difficulty is the complexities that are often found to exist within affordable housing issues, and the extent of the administration required to implement and maintain a multi-faceted solution (Jowett, 2015). A study by Whitehead (2007) suggests that local authorities tend to be small and are often in a poor position to negotiate effectively (compared to private sector actors) due to both governance structure and limited power (Whitehead, 2007).

Local authorities are responsible for developing, implanting and monitoring local policy. They are familiar with the formation of policy frameworks and the regulations that support reliable policy implementation. Local authority planning staff might be expected to best understand the interrelated dynamics of local housing demand and land supply (particular if good monitoring systems are in place), and the influence of these on the affordable housing outcomes desired by the community (Dawkins and Nelson, 2002). Affordable housing initiatives are expected to be able to find a secure and long-term platform when established through local authority policy.

In England, most local authorities (87%) have implemented an affordable housing policy of some form, usually requiring the provision of appropriate housing through obligations that are negotiated with developers as part of the planning process (Wyatt, 2018). Policies

that include a degree of flexibility, such as the negotiated case-by-case system operating in many parts of England, can also be useful when dealing with what are often very rigid planning regulations. A project that strikes a suitable balance between complying with planning regulations and enabling the implementation of affordable housing policy is likely to produce desirable outcomes (Buitelaar and Kam, 2012).

The literature also recognises the need for local authorities to work closely with central government, not-for-profit housing agencies, and private development organisations in order to provide effective affordable housing solutions. A recent study in Alberta, Canada describes how local authority policy featured the need to encourage greater private sector involvement in the provision of affordable housing. It was proposed that this could be achieved through fostering public-private partnerships, and through the development of a positive planning and policy environment (Tsenkova and Witwer, 2011).

As an alternative to partnering with private development organisations, it is possible for local authorities to undertake land development activities directly. This can enable local authorities to capture the land value increases associated with development rather than having these values transfer to the private sector (Buitelaar and Kam, 2012). However, there is often a legitimate reluctance on the part of local authorities to adopt the role of a development agency as the risks present in development processes may not be acceptable to the community and ratepayers that the local authority represents. Furthermore, local authorities often do not possess the in-house expertise or business motivations that allow development organisations to operate successfully within the land market.

Local authorities are able to utilise policy instruments to influence the affordable housing landscape in a number of ways. On one hand, policy can be used to impose obligations on developers, such as a requirement for a certain percentage of sites from a development to be dedicated in support of affordable housing functions, or a certain level of financial contribution to be paid by the developer. On the other hand, policy tools such as fee reductions or density bonusing⁶ can be used to incentivise preferred types of development (Tsenkova and Witwer, 2011; Cooney 2009).

⁶ Density bonusing allows developers to undertake a more intensive development than otherwise would have been permitted in exchange for providing particular outcomes that are desired by the community, such as a certain percentage of affordable housing units.

In New Zealand, the AH:ETA legislation (now repealed) provided guidance to local authorities in respect of a variety of policy tools to support affordable housing initiatives. These tools included density bonusing, transferable development rights,⁷ fast-tracking of consent applications and financial incentives (Cooney, 2009). The most suitable suite of methods would be determined by the local authority in consideration of its particular issues and needs.

2.1.4.3 Public and Not-For-Profit Housing Agencies

Public and not-for-profit housing agencies play an important role in supporting affordable housing initiatives. These agencies, which can be formed either directly or with the support of central government or local authorities, can be delegated a range of responsibilities from simple administration of affordable housing assets through to actively seeking investment opportunities. Where local authorities choose to take an active role in the provision of affordable housing, this is often facilitated through a not-for-profit housing agency which has been specially created as a means of maintaining a layer of independence from the regulatory organisation. Assets and investment funds provided by the local authority to the housing agency (sometimes as a result of financial contributions charges levied on private development for affordable housing purposes) can then be isolated from other demands (Cooney, 2009).

Often, housing agencies are formed from a partnership of not-for-profit groups, which can include central government and local authority representatives, industry professionals and advocates for those people who need affordable housing (Tsenkova and Witwer, 2011). These agencies essentially adopt a stewardship role of property that they own (or administer), and they are responsible in this role for meeting the affordable housing needs of the community (Tsenkova and Witwer, 2011). In many instances housing agencies are intended to be long-lived entities, which is necessary when administering long-term leasing arrangements to users of affordable housing units.

Not-for-profit agencies, in many instances, rely on initial and ongoing external funding in order to operate. This funding can come from donations and grants, however is most secure when substantially provided by central government and/or local authority

⁷ Transferable development rights allow for additional development potential, provided the potential is transferred from lower to higher density areas (Cooney, 2009).

(Tsenkova and Witwer, 2011). Housing agencies may be given authority to purchase land for affordable housing initiatives. In some cases land might even be gifted to the agency, or sold to the agency at submarket prices, from central government or the local authority, however it is more common in the modern era for agencies to have to acquire land at full market cost (Buitelaar and Kam, 2012; Needham and Kam, 2000).

A further, but less direct, way in which housing agencies are able to advance affordable housing initiatives is by facilitating applications from private developers for grants and subsidies that are available from the government or local authorities. Private sector agents sometimes do not possess the expertise needed to effectively pursue these types of funding opportunities, so by facilitating these processes the housing agency can often achieve more efficient outcomes (Tsenkova and Witwer, 2011).

The literature suggests that housing agencies, and other organisation seeking to advance affordable housing goals, need to be able to provide housing that satisfies three standards: price, location and density/layout (Needham and Kam, 2000). Additionally, agencies should be able to (or should be enabled to) produce the quality of affordable housing units that the community has decided is required. If the affordable housing units produced cannot achieve these standards in an acceptable manner, then residents will find the dwellings unsatisfactory. This in turn will create management difficulties for the housing agency and potentially diminish the efficiency of the agency.

2.1.4.4 Private Sector Development Organisations

Private developers and private development-focused organisations are fundamentally important to the provision of housing, and as a component of this, the provision of affordable housing and affordable land. In many regions there is a large reliance on the private sector to build houses – the extent to which governments, local authorities and housing agencies construct housing is often a very small fraction of the total (Jowett, 2015).

The literature suggests that in an environment within which housing is being produced predominantly by private organisations, the needs of these organisation and developers must be understood and allowed for (Jowett, 2015). These studies propose that while government legislation and local authority policy should be used to guide the

implementation of affordable housing, these instruments can also be used to advance private sector participation.

Private sector organisations, unless significant in terms of size and production capacity, can do relatively little to influence the land purchase cost (of the pre-development land), which is more responsive to often-unpredictable factors such as changes in national and regional economic climates and changes in population growth. However, developers have potentially a measure of influence over the costs of housing construction, and they are often motivated to reduce these costs through innovation in design and construction, and through new financing methods (Tsenkova and Witwer, 2011). It is suggested in research that the private sector may be better placed to identify and implement cost saving initiatives related to design, construction and financing processes (Whitehead, 2007), with central government, local authorities and not-for-profit agencies better to focus on the development of suitable policy and the administration of affordable housing initiatives (Tsenkova and Witwer, 2011).

As noted earlier, the literature suggests that an optimal affordable housing solution can be achieved when all actors, including private sector development organisations, are able to willingly and meaningfully contribute to the scheme. In respect to private sector developers, this will mean that development profits are still maintained at an acceptable level. If private sectors developers can see that the state, the local authority and any applicable housing agencies are all working in an effective, coordinated and inclusive manner (which itself will likely reduce developer's costs in relation to efficiencies in consent process), there is reason to expect that the private sector will similarly wish to contribute to good housing outcomes (Tsenkova and Witwer, 2011).

The following subsection of this research looks at a variety of approaches which can be employed by the relevant actors within the affordable housing landscape to advance and achieve affordable housing objectives.

2.1.5 METHODS OF PROVIDING AND MAINTAINING AFFORDABLE LAND

Research contains a range of various ideas as to how the issues of affordable housing might be addressed, and by which participants that are active within the housing environment. It is apparent that the traditional methods of providing affordable housing,

such as land and housing built by the state, is on the decline, while market solutions involving partnerships between public authorities, community groups and private sector development are becoming more dominant (Granath Hansson, 2019; Gibb, 2011; Marom and Carmon, 2015).

If affordable housing is measured as the relationship between housing cost and household income, then possible methods to improve the levels of affordable housing in a particular community will naturally need to fall on one side of this equation (i.e. produce a reduction in housing costs or an improvement in household income). It is difficult for affordable housing solutions to address household income levels, thus most methods used to address housing affordability issues tend to focus on the cost of providing housing, for instance through reducing the resource costs of housing production and through improved land availability (Turk and Altes, 2010; Whitehead, 2007).

Research conducted recently by Granath Hansson (2019) suggests that policies aiming to promote affordable housing solutions can be broadly categorised into two types: those aimed at increasing elasticity in general housing supply processes (i.e. enabling the market to be responsive to whatever demands arise), and those targeted specifically towards the production of affordable housing units. Within the first category are tools such as land allocation for new residential development and policies designed to remove or reduce obstacles to housing construction. Within the second category are tools such as inclusionary zoning, financial subsidies and allocation of land specifically for affordable housing purposes (Granath Hansson, 2019).

Almost all of the potential solutions to affordable housing issues will come at a cost. For instance, subsidies provided to developers to encourage the production of affordable housing will cost the subsidy provider (and may also cost the developer if the subsidy does not cover 100% of the associated cost). Regulations that require the mandatory production of affordable land or housing by developers will cost the developer more-or-less the full amount of the associated cost, but might also cost the community in the long-term if developers choose to delay or abandon development projects as a consequence of the regulations (including for land-banking purposes). The most notable exception to policies that impose additional costs on development is when the 'value uplift' of land can be captured and shared between the participants. Value uplift occurs when the designated land use of a particular area of land is modified from a lower-value land use to a higher-

value land use, an obvious example being the re-designation of rural land at the periphery of a city to residential land. In theory, value uplift can be significant, and it offers an opportunity for a positive financial outcome to each of the actors, including the original landowner, the local authority and community, and the development organisation. As such, the use of value uplift methods to assist with the provision of affordable housing and affordable land resources may find greater acceptance across the spectrum of actors, with each actor benefiting as a result. However, there are complexities to value uplift, including the method of measuring the effective value of the land use change, negotiations around how this value uplift should be shared between the participants, and how to adjust value uplift in response to changes in the property and construction markets as a development progresses (Wyatt, 2018).

It is worth noting that while value uplift is possible when land is transferred between specific land use designations, it is also possible for a local authority to 'depress' land value by transferring it into a lower-value land use designation, or by placing additional land use controls on the land. For instance, a local authority could impose an affordable housing policy on a particular block of undeveloped residential land, which might make the block less attractive to the private sector and more economical for purchase by not-for-profit affordable housing agencies (Needham and Kam, 2004). Of course, this concept raises questions around whether the loss of land value is fair to the owners of those blocks, and also around the suitability of having affordable housing units clustered within these blocks, rather than being spread throughout a community in a more sporadic manner, as would be achieved by a general inclusionary zoning policy.

In reference to the cost of construction, studies have suggested that increases in the cost of construction might be expected to lead to a reduction in the quantum of residential construction (Gu, Michael and Cheng, 2015; Somerville, 1999). This has quite clear implications for a community considering how to address affordable housing issues.

A study in 2011 by (Tsenkova and Witwer, 2011) has found that education of developers as to the challenges surrounding housing affordability may encourage greater private sector contribution. This could happen in several ways, for instance there may be opportunities for developers to provide affordable housing without suffering a loss of financial returns, or there may be a growing market for affordable housing that presents a new income opportunity to developers. It is a difficult proposition to expect developers

to necessarily seek out and pursue these opportunities independently (although some entrepreneurial developers might), but with suitable education this might more readily occur. Furthermore, if developers are prepared to offer time and expertise towards affordable housing solutions, this would likely result in a greater number of affordable houses being produced. In particular, Tsenkova and Witwer (2011) found that: *'The experimental nature of affordable rental project so far demonstrates the potential of effective partnerships or collaborative relationships with municipalities and non-profit housing providers'* (p. 76).

The headings below discuss a range of approaches that can be found in the literature to provide affordable housing solutions, many of which are compatible with policy that is designed to enable the mobilisation of land. These start with inclusionary zoning (and density bonusing as a possible component of this), then move through planning and policy regulation opportunities, shared-equity ownership schemes, subsidy arrangements, and methods to protect affordable housing values beyond the initial recipient household. This subsection finishes with a summary table outlining the various approaches and their critical elements.

2.1.5.1 Inclusionary Zoning

Inclusionary zoning first appeared in the USA as a means of addressing socio-economic and ethnic segregation (Buitelaar and Kam, 2012). Research has shown that inclusionary zoning policies can foster socially inclusive communities when they are well integrated within the urban structure of a city (Tsenkova and Witwer, 2011; Calavita and Mallach, 2010). In essence, inclusionary zoning involves the establishment of obligations and/or incentives for developments to include housing which is designed for a specific purpose or to meet a specific need (so as to include people who might otherwise be excluded due to market circumstances). Generally, inclusionary zoning policies tend to focus on housing affordability, although an inclusionary zoning policy to support provision of facilities for disabled people would be another example. Inclusionary zoning policy for housing affordability is often structured to require a defined percentage of affordable housing to be provided as a component of any new development (Tsenkova and Witwer, 2011). The use of inclusionary zoning methods has spread from the USA to many countries around the world, including UK, Ireland, the Netherlands, France, Italy, Spain, India, South Africa, Israel, Canada, Australia and New Zealand (Buitelaar and Kam, 2012; Calavita and

Mallach, 2009). In the United Kingdom, inclusionary zoning has become the principal tool for providing affordable housing (Granath Hansson, 2019; Gurran and Whitehead, 2011).

A description of inclusionary zoning is provided by Calavita and Mallach (2009) who explain this as *'land use regulations that require developers of market-rate residential development to set aside a small portion of their units, usually between 10 and 20 per cent, for households unable to afford housing in the open market. Alternatively, they can choose to pay a fee or donate land in lieu of providing units'* (p. 15).

Inclusionary zoning strategies can include a broad degree of variation and flexibility to suit the needs of a particular community. However, several important elements, as summarised by Freeman and Schuetz (2017 p. 221) from an earlier study by Schuetz, Meltzer and Been (2011), include:

1. Whether the scheme is mandatory or voluntary.
2. What size or type of development projects are affected.
3. The required share of affordable units.
4. The income of eligible residents.
5. The length of affordability restrictions.
6. The availability of cost offsets such as density bonuses.

Of these elements, the question of whether participation in the scheme is mandatory or voluntary is of fundamental importance, as is the availability of density bonuses or other cost offsets (which is closely linked to the discretionary nature of the policy). The implementation of inclusionary zoning policies as either mandatory or voluntary initiatives will depend on the goals of the local authority and the legal framework that is in place (Tsenkova and Witwer, 2011).

Mandatory schemes have the potential to create a greater number of affordable housing units than voluntary schemes, but only where there is a strong and resilient development environment (Tsenkova and Witwer, 2011). Voluntary schemes, by their very nature, are not likely to appeal to all developers, even when there are cost-offsetting incentives available, and thus cannot be expected to produce as many new affordable housing units.

Mandatory schemes, however, often find opposition from the private sector. Developers tend to be naturally reluctant to endorse schemes that either enforce cost obligations on

them or otherwise reduce their level of financial return (Tsenkova and Witwer, 2011; Cooney, 2009). Affordable housing initiatives that include cost-offsetting incentives can be expected to be more palatable to actors within the private sector. It has been suggested that the imposition of inclusionary zoning policies that force an unreasonable increase in costs onto the private sector would result in a net reduction of development activity, which would include the supply of affordable housing units (Tsenkova and Witwer, 2011). However, Tsenkova and Witwer (2011) also suggests that one positive aspect of mandatory inclusionary zoning policy is that it *'would not create inequalities and unfair competition in the marketplace, as all developments would become subject to the same standards and restrictions'* (p. 59).

The use of inclusionary zoning as an approach to addressing affordable housing issues has the added benefit that as communities begin to include a greater proportion of affordable housing units they are likely to become more accepting of the concept and implementation of affordable housing projects, thus providing potential for further supply (Tsenkova and Witwer, 2011).

Within New Zealand, several communities have implemented inclusionary zoning policies (Austin, Gurran and Whitehead, 2014; Freeman and Schuetz, 2017). One such example is demonstrated by the Hobsonville Point development in Auckland, in which 20% of the 3,000 new houses have been designed as affordable housing for moderate-income earners (Austin, Gurran and Whitehead, 2014).

Density bonusing is often a component of inclusionary zoning policy, and this enables a greater number of sites to be developed from a particular block of land than would normally be permitted (Tsenkova and Witwer, 2011). A number of the additional sites created, if not all of these sites, are then able to be dedicated for affordable housing purposes (although the inclusionary zoning policy may also require dedication of a proportion of the normally permitted sites as well). The base concept of density bonusing is that the value uplift of the land that is created by allowing a greater number of new housing sites than would normally be permitted will be shared in some way between the community (in the form of affordable housing) and the developer (in the form of additional financial benefits). From the perspective of the private sector, the ideal outcome would be for a share of the additional sites to be retained by the developer, to an extent that all of the additional costs involved in creating the new sites (site construction,

infrastructure, subdivision, etc.) are entirely covered by the additional financial returns (Tsenkova and Witwer, 2011).

One study, carried out in the USA by Schuetz, Meltzer and Been (2011), found that where density bonusing opportunities were included as part of a voluntary inclusionary zoning initiative the affordable housing outputs were more efficient than mandatory rehabilitation of low-income housing.

The literature also provides reference to some less positive aspects of inclusionary zoning policy, including the potential for private development organisations to increase the sales price of new 'non-affordable' housing units in developments in order to compensate for financial losses sustained as a consequence of mandatory inclusionary zoning policies (Tsenkova and Witwer, 2011), and the potential loss of 'residential amenity' through density bonusing (Cooney, 2009). Moreover, there are potential difficulties in respect to the potential for legal challenge to the implementation of inclusionary zoning policy and possible eventual abandonment of the policy as a consequence of this challenge (Cooney, 2009), and the proposition that an inclusionary zoning policy alone may not in itself be sufficient to deliver the full quantum of affordable housing units which is desired within a particular community (Granath Hansson, 2019; Freeman and Schuetz, 2017; Stabrowski, 2015; Aurand, 2010). This is particularly applicable in the occurrence of an economic recession cycle (Mulliner and Maliene, 2013).

Another perceived disadvantage of inclusionary zoning is the potential for the values of nearby 'non-affordable' properties to be negatively impacted (Turk and Altes, 2010; Needham and Kam, 2004). However, other literature, including a study by Eaqub (2017), suggests that the introduction of inclusionary zoning housing into a community may have an insignificant impact on surrounding property values.

The use of inclusionary zoning regulations can introduce potential externality factors that may raise costs and therefore work against affordable housing programmes. A study by Malpezzi (1996) categorises these externalities into five categories: congestion (particularly related to traffic), environmental costs (e.g. reduction of greenspace, air and water quality, etc.), infrastructure costs (related to the need for enhanced utility and drainage systems), fiscal effects (e.g. greater costs in relation to public services such as education, emergency services, libraries, etc.), and neighbourhood composition effects

(being potential social conflicts arising from different types of households, e.g. variable incomes, ethnicities, etc., living together in a community). In New Zealand, central government and local authorities have largely preferred intensification of existing urban land over expanding residential regions outwards (i.e. an urban containment concept) as intensification is believed to result in less transport and infrastructure costs (Thorns, 2009).

Inclusionary zoning in New Zealand is often associated with land development of stand-alone sites that are anticipated to be occupied by single households (these sites are most commonly owned in a freehold tenure format). Such sites can be operated either as ownership properties or as rental properties. However, other forms of land tenure, such as duplex or multi-unit housing, or community housing projects (where the property is owned by a collective of people), can also very easily include inclusionary zoning provisions. In fact, where density bonusing incentives are applied, many of these forms of housing can be more compatible with an inclusionary zoning approach as they can often be better accommodated on smaller land parcels (Aurand, 2010).

The literature also suggests that other forms of land tenure may be becoming increasingly more relevant to affordable housing solutions. As housing affordability issues worsen, there is a related trend towards a wider range of intermediate tenures (i.e. shared-equity or otherwise encumbered tenure formats, rather than freehold ownership), which has the potential to allow lower housing costs and to enable support workers to remain part of the local economy (Austin, Gurran and Whitehead, 2014).

There can however be downsides to alternative forms of tenure. One such downside is the possibility that rental properties may not be as well maintained by landlords as they would be if owned by the occupying resident (Freeman and Schuetz, 2017). Poor maintenance of housing can exacerbate some of the health and social wellbeing issues that are often present when the affordability of housing is a concern.

2.1.5.2 Planning Policy and Planning Process Relaxation

Planning policy regulations, in respect of land and housing controls, have been extensively developed and implemented in many regions as a means of responding to the increasing awareness and concern over the environmental, social and economic issues that can affect communities. These regulations can take a broad variety of forms and generally are

designed to target issues related to health, safety, welfare, environmental quality and community character (Katz and Rosen, 1987). However, compliance with these regulations can come at a cost. Research suggests that these regulations can result in housing costs becoming sufficiently high to prevent moderate- or low-income families from purchasing housing (Katz and Rosen, 1987).

One way in which a state or local authority can make relatively quick inroads into addressing affordable housing issues is through modification or relaxation of the planning policy regulations that the community is subject to. These changes have the potential to advance both the production of land for affordable housing purposes as well as the construction of affordable housing units themselves (Granath Hansson, 2019).

Generally, modification of planning policy and processes can be undertaken in support of affordable housing outcomes by one of two ways (or both). Planning policy regulation is often thought of as land use zoning, i.e. designated areas for which certain activities are anticipated to take place. Planning process regulation usually controls the processes that a developer must navigate in order to achieve the necessary consents and/or approvals prior to being able to start a new development project. The former can be relaxed by modifying either the zoning area boundaries or the land use activities that are permitted within these zones. The latter can be relaxed by streamlining or reducing the degree to which consents and/or approvals are required.

2.1.5.2.1 Planning Policy Relaxation

Land use zone boundaries are commonly applied by local authorities in response to perceived concerns over the potential adverse impacts of urban sprawl, including the possible loss of productive farmland and environmental amenity, and the costs associated with extending infrastructure and services (Cheung, 2011; Thorns, 2009; Dawkins and Nelson, 2002). These land use boundaries are often determined by local authorities in consultation with their respective communities. In these instances, local authorities have the ability to introduce modifications to the zone boundaries and/or the land use activities that are permitted within each zone area, subject to (but not necessarily bound by) further community consultation.

There is much literature that suggests a broad relaxation of zoning restrictions aimed at freeing up a greater volume of buildable land can result in greater market elasticity and,

as a consequence of this, lower land prices (Granath Hansson, 2019; Gu, Michael and Cheng 2015; Bramley, 2007; Hui, 2004; Hannah, Kim and Mills, 1993). Conversely, literature informs us that land use restrictions which are newly imposed through controlled zoning can obstruct the mobilisation of land for affordable housing purposes (Granath Hansson, 2019; Wyatt, 2018; Freeman and Schuetz, 2017; Gu, Michael and Cheng, 2015; Glaeser and Ward, 2009; Barker, 2008; Vermeulen and Rouwendal, 2007; Knaap et al., 2007; Hui and Soo, 2002; Mayo and Sheppard, 2001; Brueckner, 1990). Studies by Knaap et al. (2007) and Katz and Rosen (1987), undertaken in the USA, suggest that house prices can be between 17% and 38% higher in communities that are subject to regulations which are designed to control growth.

Malpezzi (1996), Dawkins and Nelson (2002) and Ihlanfeldt (2007) conclude that more heavily regulated planning environments can be associated with higher housing costs (both ownership and rental) compared to regions that have lower levels of regulation. Another study, by Gurran and Whitehead (2011), suggests that planning regulation is '*a form of intervention in the private market, with the goal of more efficient, equitable and socially beneficial patterns of development*' (p. 1195), and that this results in higher land and property prices as a consequence of constraining private decisions (less land will be available for market-driven activities, while more land dedicated to those activities that generate a targeted benefit). Additionally, Malpezzi (1996) also concludes that the more heavily regulated planning environments generally promote lower levels of home ownership.

The literature further suggests that restrictive zoning regulations often discourage the land densities which would most likely best serve the affordable housing segment of the market (Dawkins and Nelson, 2002), and moreover that land use restrictions can, in an environment where demand is outstripping land supply, lead to an unearned increase in wealth for existing property owners while simultaneously making housing less affordable for new buyers, particularly those with incomes at the lower end of the spectrum (Wyatt, 2018).

This is particularly relevant within communities in which a component of the value of a house purchase price is linked to an unsatisfied demand within the local housing market (Hui, Leung and Yu, 2014). In these instances, if the demand side of the equation can be satisfied through the modification of zoning provisions to allow for additional residential

land supply, then it stands to reason that the value of land purchase prices will naturally reduce to a level that better represents the expectations of the community (Hui, Leung and Yu, 2014; Moran, 2008; Beer, Kearins and Pieters, 2007). There is also an opportunity recognised within literature for a planning policy approach to housing affordability that is targeted to a specific submarket, for instance at a specific locality (e.g. to address a need that is spatially constrained) or in a specific form (e.g. the demand for two-bedroom units). A regulation that includes controls of this nature is able to directly address the greatest housing need (Costello and Rowley, 2010).

A recent study in Australia by Bleby (2016) has compared house prices in two large cities, noting that prices in Sydney rose by almost 30% as land availability fell by 4.6%, while prices in Melbourne rose by 3.8% as land availability increased by 53%. This comparison illustrates the effect of the supply/demand dynamic on housing cost.

However, in a note of caution around the concept that greater land availability will lead to greater housing affordability, a succinct and useful statement is made by Malpezzi (1996), being *'No one would be, or should be, surprised at a finding that regulations raise housing prices... What is at issue is how much they raise prices, compared with any benefits they confer'* (p. 210). Both the influence that land availability has on house prices and the value of any benefits associated with the reduction in regulation costs appear to be highly variable outcomes. Other than the Australia study, there appears to be little literature that attempts to quantify the extent to which an unsatisfied market demand can increase housing costs. Research by Granath Hansson (2019) suggests that while many researchers support the theoretical ability for an increase in land supply to lead to a reduction in housing costs, through improved market elasticity, there is by no means any certainty as to the magnitude of this reduction.

The proposition that by simply increasing the level of land development capacity a community can anticipate lower housing costs has been challenged by other studies, which find that a greater supply of residential land might not necessarily result in a greater level of housing construction, and therefore may not result in a reduction in house purchase prices (Hui, Leung and Yu, 2014; Costello and Rowley, 2010; Tse, 1998). This situation can arise as a consequence of land-banking, where a developer intentionally defers development of a particular block of land in the anticipation of higher sales values at a future date (Hui, Leung and Yu, 2014; Costello and Rowley, 2010; Tse, 1998). There

can even be scenarios, as identified by Costello and Rowley (2010), in which the increase of land development capacity can lead to an increase in housing prices, where the new land capacity also provides new infrastructure and amenity benefits for the broader community. A recent study in New Zealand by Saville-Smith (n.d.) has suggested that the current pressures on housing affordability has in part resulted from a prolonged period of underinvestment into the lower-value segments of the housing market. That study concludes that it is not just more houses that are needed to respond to the affordable housing problem, but rather it is ensuring that there are more houses built within the segment of the market in which they are most needed that is just as important.

While relaxing land restrictions is generally accepted as a valid method of introducing additional land capacity for housing purposes (though not necessarily reducing house prices), this can create other planning problems. For instance, Gurran and Whitehead (2011) suggest that uncontrolled, sprawling development can lead to degradation of agricultural land, increased travel, congestion and pollution, and can be costly to service. Costello and Rowley (2010) propose that if cities wish to become more sustainable, they need to consolidate within the existing urban boundaries and make more efficient and equitable use of their existing urban infrastructure.

There is also the need to consider who benefits and who loses when an increase in the level of land development capacity is implemented. Clearly, the owners of land that becomes re-designated for a more intensive (and presumably more valuable) land use activity will receive a benefit. Under market conditions in which there is an excess demand for new housing, the supply of greater development capacity might be expected to result in benefits for the local authority and community, particularly when affordable housing initiatives are included. However, losses might be expected to be experienced by those members of a community that are adversely affected by specific elements of the new land use designation, and also (often overlooked) members of the private sector who might have been previously capitalising on high, demand-driven market rental prices on existing properties (Brueckner, 1990).

The question of community participation in modifying planning policy regulation, and particularly zoning boundaries and provisions, is a valid consideration. As most planning regulation is developed around the preferred expectations of the local community, it is logical that any modifications to this regulation should be subject to community

participation also. However, it is not uncommon to find conflicting views within a community, with some members wishing to encourage affordable housing initiatives, and others seeking to protect perceived existing property values. This dynamic is summarised by Hills and Schleicher (2015), stating that:

...as a matter of economic rationality, local governments should deregulate their housing markets to allow an increased housing supply to meet a rising demand for housing. As a political matter, however, incumbent residents who already own housing vociferously and effectively protest against the reduction of zoning restrictions (p. 94).

Zoning provisions, such as residential density (either by way of a maximum land parcel size or a maximum number of bedrooms on a site of a particular size) and minimum requirements for amenity space and supporting infrastructure, are also commonly used to specify standards for permitted development. The purpose of these standards is to ensure that the local developed environment will meet community expectations once it is complete. Research shows that the imposition of such development standards, regardless of the fact that they are often developed with the participation of the community, can often lead to higher land costs and therefore higher house prices (Hui, Leung and Yu, 2014; Brueckner, 1990; Pallakowshi and Wachter, 1990; Katz and Rosen, 1987). Essentially, the modification of zoning provisions, as a component of planning policy regulation, is not particularly different in its outcome as that of modifying the land use zone boundaries themselves – it is largely achieving the same result in terms of increasing the capacity for residential land use within a particular region. Accordingly, the discussion above, in respect of the influence of zone boundaries on housing opportunities, relates similarly to the consideration of the density provisions and performance standards that apply to each zone.

2.1.5.2.2 Planning Process Relaxation

Several studies have suggested that the length of consenting processes, and the hurdles that are often associated with these processes, are significant impediments to efficient land and housing development (Granath Hansson, 2019; Brueckner, 1990). Costs for developing land and houses will increase the longer it takes, or the more difficult it is, for a developer to secure the required project consents (Tsenkova and Witwer, 2011; Katz and Rosen, 1987). Granath Hansson (2019) suggests that the '*capacity for swift urban planning is vital to any increase in housing construction*' (p. 9), while Mayo and Sheppard

(2001) propose that *'efforts to reduce the uncertainty which developers face may be the most effective remedy available for speculation'* (p. 126).

Consent processes that include public participation elements can be particularly time consuming and uncertain. Such processes can very easily run into opposition from members of the community who hold concerns that the proposed development might result in an adverse impact to their own property values – an view that is sometimes referred to as the 'nimby', or not-in-my-back-yard, attitude (Tsenkova and Witwer, 2011; Ihlanfeldt, 2007) These community members, while often well within their rights to submit in opposition to a proposed activity, are sometimes able to make use of the consenting process to significantly delay a project and to seek the imposition of consent conditions that could fundamentally impact on the financial feasibility of a project.

Solutions to some of the issues presented by prolonged and complex planning processes include the implementation of simplified and expeditious regulatory processes, a greater policy focus on the benefits of affordable housing (to better guide planning processes), and more efficient and flexible standards for building design and approval systems (Jowett, 2015; New Zealand Productivity Commission, 2012). An improved consenting system may enable developers to pursue innovative or high-risk projects if the outcomes are more predictable (Tsenkova and Witwer, 2011).

A study by Austin, Gurran and Whitehead (2014), which looks at the planning systems in England, Australia and New Zealand, found that of the three countries England has a much more discretionary planning framework that has evolved to be able to provide affordable housing relatively effectively. Australia and New Zealand both have more regulated planning systems, with New Zealand being the most formal and regulated of the three. It is suggested that the systems operating in both Australia and New Zealand have only limited capacity to provide effective affordable housing solutions when compared to the system that is in place in England (Austin, Gurran and Whitehead, 2014; Gurran and Whitehead, 2011). Both Australia and New Zealand have effectively reallocated stronger property rights to developers (compared to England) as a consequence of their more regulated planning systems (Jowett, 2015; Whitehead, 2007), and this provides less flexibility for the state to partner with the private sector in support of affordable housing initiatives.

The success of the affordable housing policy regulation that is operating in England is largely put down to s106 of the Planning and Compensation Act 1991, which enables a case-by-case negotiation process between the consenting authority and the developer, thus providing the flexibility necessary to achieve affordable housing outcomes while at the same time maintaining a position of economic feasibility within development projects. A cash payment to the local authority is recognised within s106 as one method in which community affordable housing objectives can be advanced (Wyatt, 2018; Crook and Monk, 2011; Crook, Monk, Rowley and Whitehead, 2006). Negotiation on a case-by-case basis provides some useful flexibility in the planning process, which can provide a benefit to both the local authority and the developer.

The s106 agreements that occur in England have proven to be a significant provider of affordable housing, with one study finding that nearly two-thirds of all affordable homes (as at 2011) had been provided through this mechanism (Crook and Monk, 2011). The same study found that the success of s106 required two circumstances; first a buoyant market demand for housing, and second a period of stability in the policy (allowing effective implementation and sharing of good practice).

2.1.5.3 Shared-Equity Ownership

Shared-equity ownership arrangements are effectively partnerships between the residents of an affordable house and the sponsorship organisation, often a local authority or not-for-profit housing agency. There is a diverse range of forms that these arrangements can take, from shared ownership schemes, to rent-to-own options, to leasing of the underlying land (Tsenkova and Witwer, 2011), to discount market housing (Wyatt, 2018). Essentially, the manner in which a shared-equity scheme works is by enabling eligible households to purchase homes at below market prices (Temkin, Theodos and Price, 2013). In most instances, shared-equity arrangements include restrictions on resale price or sell-back requirements to ensure that the housing asset can continue to serve affordable housing purposes for a number of different household families indefinitely into the future (Freeman and Schuetz, 2017; Temkin, Theodos and Price, 2013).

A common element of shared-equity schemes is that they almost always require a subsidy of some form being provided to the recipient of the housing property. Essentially a portion

of the market value of the property is provided at a below-market rate by the subsidising organisation. The literature suggests that shared-equity schemes can in theory become self-sustaining as they mature (Freeman and Schuetz, 2017; Temkin, Theodos and Price, 2013). Shared-equity arrangements often necessarily include a set of selection criteria to enable the subsidising organisation to identify suitable recipients of affordable housing units. The various criteria used to identify qualifying recipients will vary from region to region, but might include factors such as household income, employment status, whether this is the first home purchase, and proximity to the recipient's place of employment (Wyatt, 2018).

Forms of shared-equity ownership schemes are described by Temkin, Theodos and Price (2013) and include land lease options (whereby the recipient might own the house structure but not the underlying land, which is instead leased to the household at a subsidised rate), full shared ownership options (whereby the recipient and subsidising owner each own a portion of the whole property), and covenanted ownership arrangements (whereby the recipient owns the property in full, but is restricted to certain conditions upon a sale of the property). The manner in which any of the shared-equity ownership arrangements can be implemented is highly variable and these can be designed to suit a range of local markets, identified needs, and established planning policy frameworks.

Shared-equity ownership is considered by some studies to be the preferred form of tenure over rental arrangements. Localities that exhibit greater proportions of home ownership often demonstrate more stable communities and families, higher educational achievement, improved child health and higher levels of neighbourhood quality (Temkin, Theodos and Price, 2013). This outcome can in part be attributed to a greater extent of capital investment made by owner-occupants (when compared to renters) as well as a higher level of civic engagement (Temkin, Theodos and Price, 2013; DiPasquale and Glaeser, 1999; Manturuk, Lindblad and Quercia, 2012).

There is also evidence available that suggests shared-equity ownership can allow recipient households to build wealth in a manner that minimises their risk of loan default and mortgagee sale of the property (Temkin, Theodos and Price, 2013). Additionally, shared-equity ownership schemes can be effective at reducing the volatility of housing affordability that occurs throughout a normal market cycle (Thorns, 2009).

The private sector is usually not heavily involved in shared-equity type solutions, as these tend to be long-term affordable housing arrangements. However, the exception to this is potentially the land lease option, where developers may choose to partner with not-for-profit housing agencies in a manner that allows the developer to receive an ongoing market land rental, the cost of which is shared between the not-for-profit housing agency and the residing household (Tsenkova and Witwer, 2011).

Shared-equity initiatives have been found to be a successful method of both introducing affordable housing into a community, and ensuring that the affordable housing benefits can be passed on between subsequent owners (Temkin, Theodos and Price, 2013). These schemes can be less expensive than a grant-based home purchase subsidy system, however usually require a greater level of administrative 'stewardship' over a relatively long period of time (theoretically, a sustainable shared-equity scheme could operate indefinitely). A study in the USA by Temkin, Theodos and Price (2013) found that there was a demand in the market for shared-equity ownership units.

2.1.5.4 Subsidies

The provision of subsidies generally come in one of two forms. First, subsidies can be provided to developers during the construction phase of an affordable housing or affordable land project as a means of encouraging the mobilisation of affordable housing properties, and second, subsidies can be provided to recipients of affordable housing units as a contribution towards market-rate housing costs.

There is in fact a third option, which is to charge an additional financial contribution to developers of projects that do not include any affordable housing elements, thereby creating a preferable proposition for the development of affordable housing and affordable land projects, albeit by way of a financial penalty charged on other forms of development. Under this arrangement, the standard contribution would effectively be waived for projects that elected to include an appropriate level of affordable housing (Cooney, 2009). This is in essence a mirror-image of the first form of subsidy described above. However, Cooney (2009) also quotes a statement made by a former President of the Planning Institute of Australia that financial contribution charges '*should not be seen as a general taxing device, because this runs the risk of supplanting sustainability driven planning principles with revenue generation objectives*' (p. 267).

A study undertaken in England by Crook, Monk, Rowley and Whitehead (2006) found that while the majority of affordable housing units currently being supplied have been implemented in a partnership between local authorities and developers through the s106 agreement process, it is actually the increasing levels of government subsidies that will start to dominate the supply processes in the future. Whitehead (2007) also agrees that large-scale government financial support is necessary, in combination with other initiatives, to maintain progress in the affordable housing landscape.

Another study, by Granath Hansson (2019), which looked at the City of Berlin in Germany, observed that the local authority offered a subsidy in the form of interest-free loans to housing developers, on the stipulation that at least 20% of new houses were provided to affordable housing residents at below-market rent for a period of 20 years.

However, the literature also suggests that subsidies designed to be applied for by private sector developers as a means of encouraging the provision of affordable housing can suffer from low levels of uptake. This is because developers and industry professionals do not necessarily understand what subsidies are available and how to correctly apply for these (Tsenkova and Witwer, 2011). For the private sector to begin to make the most use of available subsidies, the funding policies must be robust and persistent. If subsidies on offer are subject to change or even revocation with each change of government then it will become less likely that the private sector will pursue these options.

In many countries, subsidies are available to beneficiaries and lower income earners to assist with housing costs (del Pero et al., 2016). In New Zealand this is provided by way of an accommodation supplement (Thorns, 2009) and the level of supplement is determined in consideration of the subject household's level of income and value of assets. The proportion of households receiving the accommodation supplement in New Zealand, according to Thorns (2009), was on average around 21% between the years 1994-2006. In practice, the accommodation supplement is more significant in the renting market than the home ownership market, and therefore it has limited impact in addressing housing affordability issues in respect to house purchases (Thorns, 2009). This has contributed to the increase in demand for community housing, which is the bracket of housing above social housing, but which still requires some assistance to enable home ownership.

In addition to the accommodation supplement, New Zealand provides other forms of subsidy that can directly and indirectly assist housing costs. These subsidies include the KiwiSaver scheme (which can be used to assist with a deposit on a first home purchase), the Welcome Home Loan scheme (which can be used to reduce the level of deposit required on a first home purchase), and the Working for Families tax credit scheme (which provides additional supplements for low-income families with children).

Overall, subsidies tend to be relatively complex arrangements, and households may find themselves able to benefit from more than one scheme. For instance, in New Zealand a low-income (but employed) family household may be eligible to receive a variety of subsidies, including an accommodation supplement subsidy, a childcare assistance subsidy, a family tax credit benefit, and a range of financial allowances through the community services card scheme. This can create a complex subsidy system in which recipients might struggle to understand exactly what they are entitled to receive. Another downside of the subsidy framework is that these mechanisms are also highly subject to overhauls as different political parties take power (Murphy, 2016).

2.1.5.5 Maintenance of Affordable Housing Programmes

Finally, there needs to be an understanding in any affordable housing initiative of how the 'affordable' nature of the housing or land unit will be maintained going forward into the future (or even if it needs to be maintained). Generally, most programmes will have an interest in ensuring that each affordable housing unit is able to be passed on to successive owners or residents while still maintaining its purpose for affordable housing.

If the affordable housing unit is gifted without encumbrance to the recipient household, then the value gain will be transferred from the affordable housing provider to the household. This might be perfectly acceptable, particularly where it is perceived that the demand for affordable housing units can be entirely satisfied by the scheme over time, however in most instances the affordable housing provider will likely prefer to design a sustainable scheme that allows the housing unit to be transferred from one recipient to the next while maintaining its purpose to satisfy affordable housing objectives (Freeman and Schuetz, 2017; Temkin, Theodos and Price 2013). To enable this, the housing provider will often ensure that there are controls in place over the property that require it to either be on-sold at a discounted rate, or sold back to the provider at a pre-determined price. A

third option might be to enable the current owner to buy-out the restrictions at an agreed price, which would enable the provider to re-invest the buy-out value into affordable housing units elsewhere. Moreover, it is possible that the buy-out value might reduce over time, thus allowing the recipient to adopt full outright ownership of the unit given the passage of a sufficient period of time.

These types of affordability maintenance schemes are most commonly applied to shared-equity ownership arrangements. In fact, it would be reasonable to suggest that any form of affordable housing initiative that includes provision for the maintenance of ongoing affordability is, by virtue of the provider's controls at each transaction date, a shared-equity ownership arrangement.

The format of the affordability maintenance scheme that a housing provider might choose to use will largely depend on the manner in which the affordable housing initiative is designed, and the form of the partnership that exists between the provider and the recipient.

The literature recognises that there is a cost associated with administering affordability maintenance schemes (Temkin, Theodos and Price 2013). To ensure sustainability, an affordable housing provider may need to factor the administration cost into the scheme as an additional charge that occurs either with the subsidised rental rate (if such is being applied), or as a one-off charge either at the start or end of the recipient's participation in the scheme.

2.1.5.6 Summary of Affordable Land Methods

Clearly, literature describes a broad range of mechanisms that can be applied, under the right set of circumstances, as a means of responding to undesirable levels of housing unaffordability. To summarise these mechanisms, Tsenkova and Witwer (2011 pp. 60-61) provide a useful and comprehensive table that describes the various policy instruments available for private sector engagement. Tsenkova and Witwer's table is designed around affordable rental housing, however the mechanisms described are just as applicable to affordable home ownership. The original table by Tsenkova and Witwer is shown in Table 2 below, although several original elements have been removed for the purposes of this study where those elements do not apply in the New Zealand context (the Tsenkova and Witwer research is based in Alberta, Canada).

Table 2: Policy instruments for private sector engagement.

		Advantages	Disadvantages
Regulatory Measures	Density Bonusing	<ul style="list-style-type: none"> • The ability to provide substantial affordable units • Create a social mix within buildings • Minimal municipal involvement 	<ul style="list-style-type: none"> • Reliant on developer willingness to build higher density development • Extensive community consultation is required due to potential resistance of higher density housing • Invites speculation into "deals" between developers and municipalities
	Inclusionary Zoning	<ul style="list-style-type: none"> • Can potentially produce significant amounts of affordable housing • Facilitates socially inclusive communities • Most effective in conjunction with other municipal 'bonuses' • Relatively inexpensive for municipalities to institute 	<ul style="list-style-type: none"> • It is unpopular with developers and builders as it can negatively impact profit margins • Can be viewed as a barrier to growth and an interference in the market • Its effectiveness decreases in low-growth areas
	Alternative Development Standards	<ul style="list-style-type: none"> • The concept of alternative standards is increasingly accepted in communities and professions 	<ul style="list-style-type: none"> • No guarantee that cost savings will be passed on to the consumer; does not necessarily contribute to affordability
	Land Contributions	<ul style="list-style-type: none"> • Easier access to land • Reduced land costs could potentially lower project costs • Political benefits without providing direct subsidies • Municipalities could retain ownership of the land while increasing their assets 	<ul style="list-style-type: none"> • Strong competition for government owned land • Land leases do not generate significant amounts of short-term revenue
	Streamlining the Planning Process	<ul style="list-style-type: none"> • Can reduce time required for development permit approval 	<ul style="list-style-type: none"> • Consistency and flexibility are difficult to achieve • No guarantee it will make the process faster

Fiscal Measures	Tax Incentives	<ul style="list-style-type: none"> • Targeted incentives to construct rental housing • Advantage would apply to all developers producing new rental housing 	<ul style="list-style-type: none"> • Cost savings would occur only with the submission of a developer's income tax and therefore, will not reduce initial costs
	Direct Subsidies	<ul style="list-style-type: none"> • Subsidies address the funding gap and reduce the cost of each unit • Can be used to leverage additional financing not available otherwise 	<ul style="list-style-type: none"> • Requirements for securing grants are often extensive and confusing, which acts as a deterrent to private developers • Subsidies are typically short term due to their political nature
Financial Measures	Reducing or Waiving Municipal Fees	<ul style="list-style-type: none"> • Could increase the production of affordable housing in high growth areas • Easy to implement 	<ul style="list-style-type: none"> • Cost savings are not guaranteed to be passed along to the consumer • Savings would not necessarily be very significant
	Lending and Borrowing Practices	<ul style="list-style-type: none"> • Can decrease reliance on government subsidies • Can reduce the long-term costs if interest rates are lower and portfolio is leveraged • Potential for government guarantees 	<ul style="list-style-type: none"> • Difficult to decrease risk without other forms of guarantees • Requires a significant change in business practices
	Philanthropy	<ul style="list-style-type: none"> • Increases the amount of funding available for affordable housing projects • Mutually beneficial for all parties involved 	<ul style="list-style-type: none"> • Must be filtered through a charitable organization, not directly available to private developers • Requires a significant amount of time and relationship-building to produce substantial results
Institutional Measures	Housing Trusts	<ul style="list-style-type: none"> • More coordinated access to government funding • More efficient funding can attract private developers • Can use government funding to leverage additional financing • Creation of a low-interest lending arm 	<ul style="list-style-type: none"> • Decisions can potentially be political • Difficult to secure a dedicated funding source

Institutional Measures	Land Trusts	<ul style="list-style-type: none"> • Increase the amount of land available for affordable housing • Makes land easier to acquire • Reduces development costs as land is cheaper for developers 	<ul style="list-style-type: none"> • There may be significant tax barriers to donating land
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The next section of this research considers a number of areas of legislation that are relevant to the mobilisation of affordable housing and affordable land within New Zealand and Dunedin City. Following that, the study will consider the existing policy framework and the Queenstown-Lakes District case study.

2.2 LEGISLATION REVIEW

This section of the study looks at the national legislative framework, and the various statutes that are relevant to the provision of affordable housing in New Zealand. The Acts reviewed in this section comprise:

- Resource Management Act 1991
- Affordable Housing: Enabling Territorial Authorities Act 2008
- Housing Accords and Special Housing Areas Act 2013
- Local Government Act 2002

2.2.1 RESOURCE MANAGEMENT ACT 1991

The Resource Management Act 1991 (RMA) was enacted to achieve an integrated approach to the management of natural and physical resources within New Zealand. It was designed to enable a more streamlined and comprehensive method of managing environmental issues in a manner that allows for the sustainable use and exploitation of resources.

The fundamental philosophical elements of the integrated approach utilised by the RMA include:

1. The concept of 'sustainable management' of the country's natural and physical resources, in a way that enables people and communities to provide for their social, economic and cultural well-being. This is to be achieved through:

- a. Sustaining the potential of natural and physical resources to meet the reasonably foreseeable needs of future generations, and
 - b. Safeguarding the life-supporting capacity of air, water, soil, and ecosystems, and
 - c. Avoiding, remedying, or mitigating any adverse effects of activities on the environment.
2. The importance of the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu and other Taonga.
3. The value of public consultation in decision-making processes where there is the potential for adverse environmental effects.

The integrated approach taken by the RMA has fostered a political and legal landscape that is vulnerable to tension. The greatest conflict perhaps arises when the proposed economic outcomes of a particular activity are competing with desired environmental outcomes. The RMA does not prioritise these outcomes; instead it provides a legislative structure within which decision-makers are generally expected to ‘weigh’ all of the anticipated impacts (positive and negative) in order to arrive at an overall decision. This method of reconciling different sets of impacts can lead to friction, mistrust and even hostility between different actor groups. Environmental lobbyists sometimes feel that there is a lack of opportunity to participate in decision-making processes or to contest judgements, while actors in the development arena at times claim that the costs, timeframes and uncertainties associated with an approach, which includes environmental considerations, are excessive.

Many applications for activities that are not automatically permitted by the RMA (or its subservient regulations) are required to obtain a local authority consent. Local authorities are required by the Act to develop and implement regional plans and district plans, and these plans must be in accordance with the purpose and principles of the Act. Accordingly, the fundamental elements noted in points 1-3 above are reflected in a top-down hierarchy from the Act into local regulations, and from there they are implemented within local activities.

In respect of affordable housing initiatives, the RMA does not specifically refer to this subject. However, it has been suggested that issues related to affordable housing fall within the gambit of the RMA by virtue of the Act’s fundamental principle of sustainable

management, which is described as including the management of natural and physical resources in a way that enables people and communities to provide for their social, economic, and cultural well-being. If housing is considered a resource, then the Act appears to have authority to manage this resource in a manner that supports the social well-being of people and communities (Cooney, 2009). The duty to ensure that housing is managed in accordance with the objectives of the RMA is conveyed to local authorities by virtue of the hierarchical structure of the Act.

The question of whether the RMA is an appropriate vehicle for local authorities to implement affordable housing initiatives has been tested in the New Zealand courts. In December 2008 an independent panel of commissioners appointed under the RMA issued a decision to approve an application by the Queenstown-Lakes District Council to change the local district plan to include provision for the supply of affordable and community housing (known as Plan Change 24). The decision made by the commissioners (Clarke, Kelly and Perkins, 2008) was to approve the proposed plan change with minimal adjustment from its notified form, with the commissioners noting in their decision that:

1. There is evidence of an inadequate supply of Affordable and Community Housing in the Queenstown-Lakes District, and that the market is not responding sufficiently to the problems of housing affordability,
2. That there is scope to address affordable housing under the RMA.
3. That there is merit in ensuring that applications for proposed development are required to make an assessment of their effects on housing affordability and to amend their proposal accordingly.

The decision on Plan Change 24 was appealed to the Environment Court of New Zealand by a several stakeholder organisations. The appeal claimed that the RMA did not have the authority to address affordable housing issues and that the mechanisms included in Plan Change 24 are not an appropriate response to the problem (*Infinity Investment Group Holdings Ltd v Queenstown Lakes District Council*, 2010). The decision by the Environment Court held that the plan change did indeed fall within the scope of the RMA and that the proposed rules do relate to a resource management purpose, thus the appeal was dismissed. This decision was subsequently appealed to the High Court of New Zealand, and in February 2011 that elevated appeal was also dismissed (*Infinity Investment Group Holdings Limited v Queenstown Lakes District Council*, 2012).

The case law described above clearly supports the legal ability for local authorities to have regard to affordable housing, and to make provision for these issues to be addressed by certain activities. However, the literature also suggests that local initiatives which are developed to reduce affordable housing issues are likely to be relatively unique and custom-designed to suit a specific region (Jowett, 2015; Perkins and Thorns, 2001). Accordingly, the use of the RMA to achieve affordable housing outcomes may be further tested in the New Zealand court system if and when other local authorities choose to promote an initiative similar to that pursued by Queenstown-Lakes District Council.

2.2.2 AFFORDABLE HOUSING: ENABLING TERRITORIAL AUTHORITIES ACT 2008

The Affordable Housing: Enabling Territorial Authorities Act 2008 (AH:ETA) was enacted relatively recently (but short-lived) as a means of providing local authorities with a legal mandate to require certain affordable housing outcomes to be achieved by development projects. Specifically, the principal purpose of the AH:ETA was to enable a territorial authority, in consultation with its community, to require persons doing developments to facilitate the provision of affordable housing (s5(a)):

- (i) for the purpose of meeting a need for it that the authority has identified by doing a housing needs assessment, and
- (ii) in a manner that takes account of the desirability of the community having a variety of housing sizes, tenures, and costs.

The AH:ETA was enacted in September 2008 by New Zealand's Labour Party in response to issues of affordable housing that were seemingly becoming more prominent. The Act took guidance from the UK's s106 legislation (Jowett, 2015; Cooney, 2009). However, the AH:ETA statute was repealed in 2010 by the National Party, which came to government in late 2008, with Hon Bill English (the then Minister for Infrastructure) stating in the House of Representatives (2010) parliamentary debate record that:

The Affordable Housing: Enabling Territorial Authorities Act Repeal Bill removes a potential impairment to increasing the housing supply, which we believe is a vital issue in determining housing affordability. ...The original Act was intended to provide local authorities with regulatory tools to address problems of housing affordability. In fact, Local Government New Zealand and territorial authorities who made submissions on the bill suggested that rather than improving affordability it would increase the cost of housing in the current market. The building sector also raised concerns about increased complexities and delays as a result of the Act. That is why we are repealing it. Moves to encourage the building of new housing need to ensure that regulatory and other costs are

contained and opportunities for increases in supply are enhanced. The repeal will assist in this regard... (pp. 12944-12945).

Despite now being obsolete, the AH:ETA provided some useful thinking around how local authorities might choose to address affordable housing issues in their respective regions. One of the methods described in the AH:ETA to achieve desired affordable housing outcomes was to require developers to provide land and/or financial contributions to the applicable local authority as a component of development projects (Tsenkova and Witwer, 2011; Freeman and Schuetz, 2017). The local authority would then use this resource (land or money) to produce appropriate affordable housing outcomes.

The AH:ETA includes the following provisions that are of particular relevance-

- Under s11, the AH:ETA describes the obligation that is placed on the developer to provide affordable housing. This might include providing a proportion of affordable housing in the development (or a different development), giving the territorial authority some land in its district, or giving the territorial authority an amount of money.
- Under s12, the AH:ETA describes the obligation that is placed on the local authority to provide affordable housing. This might include excusing the developer from paying some or all of the standard development contributions, giving the developer a density bonus, or giving the developer rates relief or another form of financial assistance.
- Under s14, the AH:ETA requires local authorities to determine how affordable housing is to remain subject to the affordable housing policy. This might include setting eligibility criteria over who is able to receive an affordable house, a requirement that affordable houses are leased by the local authority or its housing agency rather than being sold (or if sold are subject to a buy-back condition), or the use of a shared-equity (co-ownership) arrangement between the local authority and the recipient.

Reviewing the above provisions, it is apparent that the AH:ETA has been designed to provide relief to affordable housing issues through local authority policy processes. This Act clearly implies that housing issues are more efficiently evaluated and confronted at a local level, with the statute itself simply providing the national support needed to administer the legislation. The AH:ETA provides the ability for local authorities to require

a greater supply of affordable housing from development projects, and supports mechanisms such as inclusionary zoning, linkage zoning,⁸ financial contributions, and development incentives as a means of achieving this (Jowett, 2015).

However, the ability for the AH:ETA to produce effective outcomes is challenged in some literature, with a study by Warnock (2010) suggesting that ‘...*the provision of a social good from a business whose purpose is profit, without revealing any apparent benefit to that business or providing a guarantee of incentives or compensation, is built upon questionable foundations*’ (p. 165), and the same study proposing that the significant obligations placed on local authorities when wishing to apply the legislation could very possibly become a deterrent to using this mechanism to advance affordable housing solutions. Moreover, the study by Warnock (2010) also describes several possible negative outcomes, including the potential for land prices of non-designated affordable properties to rise (to offset the developer’s financial losses from the affordable sites) and the prospect of the rate of land development slowing (while owners of developable land wait for policy changes that might suit them better), both of which could undermine the positive affordable housing outcomes that the Act seeks to achieve.

2.2.3 HOUSING ACCORDS AND SPECIAL HOUSING AREAS ACT 2013

The Housing Accords and Special Housing Areas Act 2013 (HASHAA) was enacted by New Zealand’s National Party, essentially as a replacement to the repealed AH:ETA. The purpose of the HASHAA is to enhance housing affordability by facilitating an increase in land and housing supply in regions that have housing supply and affordability issues. This is primarily achieved through the designated Minister and an eligible territorial authority⁹ entering into a ‘housing accord’, which sets out how the accord parties will work together to achieve the purpose of the Act and the agreed targets for residential development in the territorial authority area. The HASHAA enables ‘special housing areas’ to be established, either through the accord mechanism or directly by the designated Minister (in certain eligible areas where no accord has been given effect). Development

⁸ The term ‘linkage zoning’ is referenced several times within this study. This term is used to describe policy methods that evaluate the demand generated by particular development projects so that offsetting measures can be required (i.e. a response that is directly linked to impacts which are anticipated to be generated by a specific proposed activity).

⁹ Territorial authorities include city councils and district councils that are designated under the Local Government Act 2002. Territorial authorities are a subset of local authorities.

within these special housing areas is then allowed to proceed through a different consenting pathway than that which would ordinarily be taken (i.e. under the RMA). This alternative pathway is designed to provide a more efficient, quicker and less costly consenting process, with more certain outcomes. There are two significant mechanisms to enable this more efficient consenting process: firstly, the requirement under the RMA for notification of applications to certain people and/or to the general public is substantially stripped away under the HASHAA consenting process, and secondly, the right for parties to appeal or object to consent decisions is also considerably more limited under the HASHAA than it is under the RMA.

The 1st Schedule of the HASHAA lists those regions and districts that the government has identified as having significant housing supply and affordability issues. A territorial authority is only eligible to seek an accord under the Act in relation to a region or district listed in the 1st Schedule. There are currently 16 areas listed in the 1st Schedule, although this list can be amended by an Order in Council following a recommendation raised by the designated Minister. Several such amendments have occurred since the enactment of HASHAA.

In assessing whether a region or district is experiencing significant affordability issues, the designated Minister (s9(3)):

- (a) must have regard to whether, according to publicly available data, one or both of the following apply to the region or district:
 - (i) the weekly mortgage payment on a median-priced house as a percentage of the median weekly take-home pay for an individual exceeds 50%, based on a 20% deposit:
 - (ii) the median multiple (that is, the median house price divided by the gross annual median household income) is 5.1 or over; and
- (b) must have regard to whether the land available for residential development in the region or district is likely to meet housing demand, based on predicted population growth.

In addition to the above, the Act also enables the designated Minister to assess housing affordability by reference to broader median house prices, median household income, individual income and/or median multiple concepts. Considering these sentiments, it is

clear that the measures suggested in the Act to evaluate housing affordability reflect the Demographia survey methodology (Murphy, 2014).

The HASHAA enables the establishment of certain criteria for developments in special housing areas in order for those developments to gain the advantages offered through the Act. One of these criteria is described as the possible inclusion of a minimum percentage of affordable dwellings.

The HASHAA has been designed as an interim mechanism to address a perceived shortage of housing throughout New Zealand. It includes a set of automatic repeal dates that will take effect in September 2019 (no new housing accords to be proposed after this date) and in September 2021 (no new housing accords to be ratified after this date). The reason stated for the inclusion of this automatic repeal provision is that it was seen to be a necessary short-term mechanism to enable new housing areas to be opened up with urgency, bridging the time until the proposed National Policy Statement on Urban Development Capacity (NPSUDC) is implemented, the RMA reforms are progressed, and the new urban development authority mechanism is available (Housing Legislation Amendment Bill 2016, n.d.). Of these three actions, the NPSUDC has taken effect (as at December 2016) and the new urban development authority has been established (named the Ministry of Housing and Urban Development and operating from October 2018). The RMA reforms are still pending. According to the Minister for Housing and Urban Development (Cooke and Jamieson, 2019) the current government does not intend to extend the HASHAA automatic repeal date, however all existing housing accords will retain the consenting benefits provided by the HASHAA following the automatic repeal of the Act. As at March 2019 there were 11 housing accords in effect throughout New Zealand.

The critical difference between the AH:ETA and HASHAA statutes is that the former serves the fundamental purpose of addressing affordable housing, while the later instead focuses on advancing the general supply of housing in areas where this is needed. A second important difference in the two Acts is that the AH:ETA divests full control of affordable housing responsibilities to territorial authorities, whereby under the HASHAA the government retains the majority of the control over the accord-making process, even going so far as to allow the government to assume a consenting role as part of local

housing supply markets in the event that an accord cannot be negotiated with the local authority (Murphy, 2014).

2.2.4 LOCAL GOVERNMENT ACT 2002

The Local Government Act 2002 (LGA) sets out in law the purpose of local government, its role and core responsibilities, and the powers provided to local authorities in order to achieve its statutory duties.

The broad purpose of this Act is to provide for democratic and effective local government that recognises the diversity of New Zealand communities. The purpose of local government is (s10(1)):

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Section 14(1) of the Act sets out a number of principles that local authorities must act in accordance with. Of particular relevance to this study, these principles include:

- (c) when making a decision, a local authority should take account of-
 - (ii) the interests of future as well as current communities.
- (g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and
- (h) in taking a sustainable development approach, a local authority should take into account-
 - (i) the social, economic, and cultural interests of people and communities; and
 - (ii) the need to maintain and enhance the quality of the environment; and
 - (iii) the reasonably foreseeable needs of future generations.

The Act also establishes certain controls and restrictions around the use and disposal of a local authority's 'strategic assets'. This term is defined as being '...an asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority

determines to be important to the current or future well-being of the community...'. The definition of 'strategic' goes on to list several components, including '...any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy'.

The question of whether the issue of affordable housing, and the provision of policy mechanisms to address this issue, can effectively be implemented under the auspices of the LGA has been considered by Jowett (2015). In that study, it is reported that legal advice was obtained by Christchurch City Council to confirm whether the provision of social and affordable housing was an activity that is captured by the LGA, particularly in respect of the stipulated purpose for the local authority to meet the current and future needs of communities for good-quality local infrastructure. The resulting legal opinion, while not entirely confident, found that affordable and social housing is likely to fall within the definition of local infrastructure for the purposes of the LGA.

The LGA requires local authorities to implement a development contributions or financial contributions policy. A contribution policy of this nature allows the local authority to levy development contributions from private developments, where the effect of activity is expected to require local authority investment into new or additional assets to provide appropriate reserves, network infrastructure and/or community infrastructure. In Dunedin City the local authority presently operates a development contribution policy that imposes separate charges designed to support the extension of transportation, utilities, and parks and reserves infrastructures. Considering the facility provided by the LGA for development contribution charges, along with the legal opinion outlined in the Christchurch study, it would appear that it may well be possible for a local authority to levy an affordable housing development contribution against a new development where the exacerbation of affordable housing issues are an anticipated outcome.

Interestingly, literature suggests that the creation of an affordable housing policy under the authority of the LGA (i.e. as part of a local authority's general policy) may be limited in its effectiveness when compared to the use of specialised legislation for this purpose, such as the AH:ETA and the HASHAA. The suggested reason for this potential lack of effectiveness is because the LGA has very broad policy-creating powers, covering a wide range of local authority activities, and consequently there is a risk that a policy created to

address a relatively specific outcome may tend to be overlooked when considered side-by-side with other more attention-demanding local authority policies (Jowett, 2015).

2.3 POLICY REVIEW

This section of the study looks at the policy framework which currently exists in New Zealand, and how this landscape might be expected to influence the implementation of an affordable land strategy for Dunedin City. The policies reviewed in this section comprise:

National Policy:

- National Policy Statement on Urban Development Capacity
- KiwiBuild
- Housing Infrastructure Fund
- Welcome Home Loan
- KiwiSaver
- Ministry of Social Development Subsidies

Regional Policy:

- Regional Policy Statement for Otago

Local Policy:

- Dunedin City District Plan
- Dunedin's 10 Year Plan 2018-28
- A Spatial Plan for Dunedin
- Dunedin City Council Development Contributions Policy
- Dunedin City Council Housing Policy
- Dunedin City Social Housing Strategy
- Dunedin's Social Wellbeing Strategy

Local policy that is specific to the Queenstown-Lakes District area will be discussed under the next section of this study (section 2.4), as part of the case study evaluation.

A number of policy documents were reviewed in preparation for this study, but were determined to have no reference or relevance to affordable housing issues, and are therefore not discussed in the content below. These documents are:

- Regional Plan: Coast for Otago (Otago Regional Council)
- Otago Regional Council Long Term Plan 2018-2028
- Otago Regional Council Significance and Engagement Policy
- Dunedin City Council Significance and Engagement Policy

2.3.1 NATIONAL POLICY

National policy is generally considered to be policy that is established at a national level and which is intended to be implemented in a consistent manner throughout the country. This subsection reviews a number of national policies which either directly or indirectly influence the affordable housing landscape. These policies include regulations, housing development programmes and financial subsidy/funding schemes.

2.3.1.1 National Policy Statement on Urban Development Capacity 2016

The National Policy Statement on Urban Development Capacity 2016 (NPSUDC) has been prepared under the authority of the RMA and took effect following its publication in the New Zealand gazette in November 2016. This regulation recognises the national significance of well-functioning urban environments and provides direction to decision-makers on planning for these environments. Particular focus is given to ensuring that local authorities:

- enable urban environments to grow and change in response to the changing needs of the communities, and future generations; and
- provide enough space for their populations to happily live and work. This can be both through allowing development to go ‘up’ by intensifying existing urban areas, and ‘out’ by releasing land in greenfield areas.

Ultimately, the NPSUDC aims to ensure that planning decisions enable the supply of housing to meet demand. It is anticipated that this will contribute to minimising artificially inflated house prices at all levels and contribute to housing affordability overall. The regulation suggests that the current level of artificially inflated house prices drive inequality, increase the fiscal burden of housing-related government subsidies, and pose a risk to the national economy. The NPSUDC also anticipates that the provision of a greater number of opportunities for commercially feasible developments will lead to more competition among developers and landowners to meet demand (the inferred implication being a reduction in house and land prices).

The NPSUDC requires local authorities to take certain actions. The extent of these actions depends on whether the subject local authority includes within their region a high-growth urban area, a medium-growth urban area, or neither.¹⁰ A greater number of policies within the NPSUDC apply to those regions that exhibit higher rates of growth, however all local authorities are required to give effect to some of the policies (and are to have regard to all of the objectives of the regulation).

There are various objectives and policies described in the NPSUDC. Those provisions that are most relevant to affordable housing are noted in Table 3 below:

Table 3: Provisions of the NPSUDC that are relevant to affordable housing.

Provision	Requires
Objective A2:	Urban environments that have sufficient opportunities for the development of housing and business land to meet demand, and which provide choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses.
Objective C1:	Planning decisions, practices and methods that enable urban development which provides for the social, economic, cultural and environmental wellbeing of people and communities and future generations in the short, medium and long-term.
Objective C2:	Local authorities adapt and respond to evidence about urban development, market activity and the social, economic, cultural and environmental wellbeing of people and communities and future generations, in a timely way.
Policy A3 (affecting all local authorities):	When making planning decisions that affect the way and the rate at which development capacity is provided, decision-makers shall provide for the social, economic, cultural and environmental wellbeing of people and communities and future generations, whilst having particular regard to: <ul style="list-style-type: none"> a) Providing for choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses; b) Promoting the efficient use of urban land and development infrastructure and other infrastructure; and c) Limiting as much as possible adverse impacts on the competitive operation of land and development markets.

¹⁰ A high-growth area is defined in the NPSUDC as being a region of at least 30,000 people in which the resident population is projected to grow by more than 10% between 2013 to 2023. A medium-growth area is defined as being a region of at least 30,000 people in which the resident population is projected to grow by between 5% and 10% between 2013 to 2023.

Policy A4 (affecting all local authorities):	When considering the effects of urban development, decision-makers shall take into account: a) The benefits that urban development will provide with respect to the ability for people and communities and future generations to provide for their social, economic, cultural and environmental wellbeing.
Policy B1 (affecting local authorities with medium- and high-growth areas):	Local authorities shall, on at least a three-yearly basis, carry out a housing and business development capacity assessment that: a) Estimates the demand for dwellings, including the demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms.
Policy B6 (affecting local authorities with medium- and high-growth areas):	To ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes, local authorities shall monitor a range of indicators on a quarterly basis including: a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time; b) The number of resource consents and building consents granted for urban development relative to the growth in population; and c) Indicators of housing affordability.
Policy C3 (affecting local authorities with medium- and high-growth areas):	When the evidence base or monitoring obtained in accordance with policies PB1 to PB7 indicates that development capacity is not sufficient in any of the short, medium or long term, local authorities shall respond by: a) Providing further development capacity; and b) enabling development.
Policy C5 (affecting local authorities with high-growth areas):	Regional councils shall set minimum targets for sufficient, feasible development capacity for housing, in accordance with the relevant assessment under policy PB1 ... and incorporate these minimum targets into the relevant regional policy statement.
Policy C9 (affecting local authorities with high-growth areas):	Territorial authorities shall set minimum targets for sufficient, feasible development capacity for housing, as a portion of the regional minimum target, in accordance with the relevant assessment under policy PB1 ... and incorporate the minimum targets as an objective into the relevant plan.
Policy C12 (affecting local authorities with high-growth areas):	Local authorities shall produce a future development strategy which demonstrates that there will be sufficient, feasible development capacity in the medium and long term. This strategy will also set out how the minimum targets set in accordance with policies PC5 and PC9 will be met.

The NPSUDC also sets out various timeframes for local authorities to comply with the applicable policies (the latest date being 31 December 2018).

The NPSUDC is of particular significance to this study as it has been designed to enable the supply of a sufficient volume of urban land as a method of alleviating the high levels of demand for housing that can put the property market under strain. By requiring local authorities to achieve a specified level of urban land capacity, the NPSUDC hopes to stimulate housing development to occur at rates necessary to satisfy the demands of local markets. While the NPSUDC does not make specific mention of affordable housing, it does seek to make provision for the needs of people and communities and future generations, through the establishment of a range of dwelling types and locations, working environments and places to locate businesses. The decision of whether there is a need for a local authority to guide housing development towards affordable housing options, and how this might be achieved, is left to the respective local authority.

2.3.1.2 KiwiBuild

The KiwiBuild scheme was introduced to New Zealand by the Labour Party government in 2018. In its original form, it maintained a broad objective of delivering 100,000 new homes by 2028.

KiwiBuild is administered by the Ministry of Housing and Urban Development (HUD), which advises that over the last 10 years housing demand in New Zealand has outstripped supply, with the rate of home ownership dropping from around 74 percent to 63 percent since 1991 (KiwiBuild, 2019a). HUD believes that many people who would have been able to buy a home in the past are no longer able to do this.

HUD states that 'KiwiBuild is about restoring the dream of home ownership to families throughout New Zealand, by providing eligible first home buyers with exclusive access to a range of fixed price modest starter homes'. HUD further describes the core aims of KiwiBuild (KiwiBuild, 2019a) as being:

1. increase home ownership in New Zealand.
2. increase the supply of affordable homes in parts of New Zealand where there is a shortage.
3. use government procurement to foster innovation and reduce the cost of building new homes.

For purchasers of KiwiBuild properties to be eligible for the scheme, people must generally be a first-home buyer with an annual income that is less than \$120,000

(individual purchaser) or less than \$180,000 (more than one person as purchaser) (KiwiBuild: Am I eligible?, 2019).

Interestingly, HUD states that KiwiBuild homes are not subsidised, but rather they are sold at market prices. Having said this, KiwiBuild does establish price caps. The maximum that a KiwiBuild house can be sold for in the Auckland and Queenstown-Lakes District areas is \$650,000. Elsewhere in New Zealand, the maximum that a KiwiBuild house can be sold for is \$500,000 (KiwiBuild: How KiwiBuild works, 2019). It is up to KiwiBuild developers to source land and construction processes in a manner that enables properties to be sold below these price cap limits. According to HUD, developers of KiwiBuild homes are able to access certain underwriting facilities, which can reduce the associated holding costs of the development and enable houses to be built faster and more efficiently.

As of 7 May 2019, there have been 80 KiwiBuild homes completed throughout the country, with 71 associated homeowners. Another 10,356 homes are under contract for building (KiwiBuild, 2019b).

The KiwiBuild scheme has not been without controversy. In October 2018 the Housing Minister was reported as having claimed that KiwiBuild is not designed for low-income families (Palmer, 2018). This position found criticism in the media and is arguably contradictory to the core aim of the scheme to increase the supply of affordable homes in parts of New Zealand where there is a shortage. Concern is raised in the media report that KiwiBuild homes may be out of reach for the working poor and the unemployed, who are seen to be the ones facing the real brunt of the housing crisis, and that the programme may be promoting a form of state led gentrification, where middle- and high-income earners being able to access some of the KiwiBuild homes while those at the bottom continue to struggle with fast rising rents and lack of social housing.

Concern has also been expressed in regard to the delivery programme for KiwiBuild houses. The Labour Party, after coming to government in 2017, promised that the number of KiwiBuild houses to be built over the first three years of government would be 16,000 with 1000 of these in the first year (Cooke, 2019). That promise has since been abandoned and more recently it is reported that the Government expects to build a more modest 300 KiwiBuild houses in the first full year of the programme (to 1 July 2019). With 80 homes

complete as at 7 May 2019, it would appear that the government may find it difficult to achieve the reduced completion target.

Interestingly, there has been a call for the government to consider a 'KiwiBuy' scheme as a complementary programme, with a focus being placed on getting low-income Kiwis into their own homes. Following a recent report into the state of the New Zealand rental market, the Salvation Army New Zealand (Johnson, 2018) has recommended that the government:

...rather than facilitating small-scale residential developments and balloting off houses, should focus more on supporting modest-income households (earning around the median household income, not twice it) to achieve home ownership through subsidy programmes. KiwiBuild should morph into KiwiBuy, and by doing so the scale of new house building that is required to address the crisis in rental housing will be achieved (p. 54).

In the media, it has been reported that KiwiBuy could include a number of ways to assist low-income people into their own homes, such as a shared-equity scheme (with the government owning a percentage of a house) or a rent-to-buy scheme. Under a rent-to-buy scheme the government could subsidise the initial house purchase and the buyer would then make regular payments to the government (similar to paying a mortgage, but potentially more flexible than dealing with a bank). Support for the idea of a KiwiBuy scheme has been offered by Habitat for Humanity, Community Housing Aotearoa and the New Zealand Housing Foundation (KiwiBuy the only answer to the housing shortage, 2018). The Housing Minister is reported to be exploring possible rent-to-buy housing options.

2.3.1.3 Housing Infrastructure Fund

In July 2017, New Zealand's then sitting National Party government announced the allocation of \$1 billion of financial assistance to five high-growth local authorities to support the construction of new housing infrastructure, which in turn was expected to promote greater housing supply (Housing Infrastructure Fund, 2019). This funding came in the form of 10-year interest-free loans to high-growth councils (Dunedin City Council was not one of these councils). The Housing Infrastructure Fund was a one-off initiative rather than an on-going fund available to local authorities on a per-application basis.

The current Labour Party government has more recently constituted a new department, the Ministry of Housing and Urban Development (HUD), one function of which is to deliver

the government's housing and urban development programme that is intended to address homelessness, to increase housing supply, and to make housing affordable (New Zealand Government, Ministry of Housing and Urban Development, n.d.). HUD, which was established in October 2018, aims to make housing affordable for people to rent and buy homes through developing and leading housing urban development strategies. This work is expected to involve working closely with iwi, the private development sector, social agencies, other government departments and communities.

HUD recognises that 'Housing affordability is a significant issue affecting many New Zealand families, the economy and government' (Housing affordability, 2019). To address this issue, HUD intends to deliver a comprehensive work programme to improve housing affordability, which will include looking at:

- the supply of land,
- the role of regulation,
- the provision of infrastructure,
- the cost of building materials; and
- increasing skills and the level of innovation in the construction sector.

To monitor the shift in housing affordability within different regions of New Zealand, HUD utilises information from Statistics New Zealand and a platform called the Housing Affordability Measure (HAM), which is maintained by the Ministry of Business, Innovation and Employment (MBIE). The HAM platform produces two key values, firstly a measure of the residual income (after paying housing costs) for first home buyers, and secondly the same measure but in relation to the rental market (Housing Affordability Measure (HAM), 2019). HAM works by comparing the household income data for a target region, with the national average income data. These measures are assessed both nationwide and for particular regions. Importantly, the HAM platform is not intended to be used as a means of setting a level at which housing is or isn't affordable. Instead, HAM shows a trend over time (currently from 2003), which assists government and local authorities in identifying and responding to affordability challenges that are specific to each housing market.

In addition to the HAM measurements described above, MBIE also uses the same Statistics New Zealand data to evaluate a Housing Percentage Measure (HPM). The HPM Measure checks whether each household in New Zealand is spending more or less than 30% of

their income on housing costs, however MBIE is careful to inform users of this data that the measure is not intended to be used in determining housing affordability. Figure 4 below, sourced from the MBIE website (Housing Percentage Measure, 2019), shows a graph of the national trend in the HPM value between 2003 and 2018 in relation to both the home ownership market and the rental market.

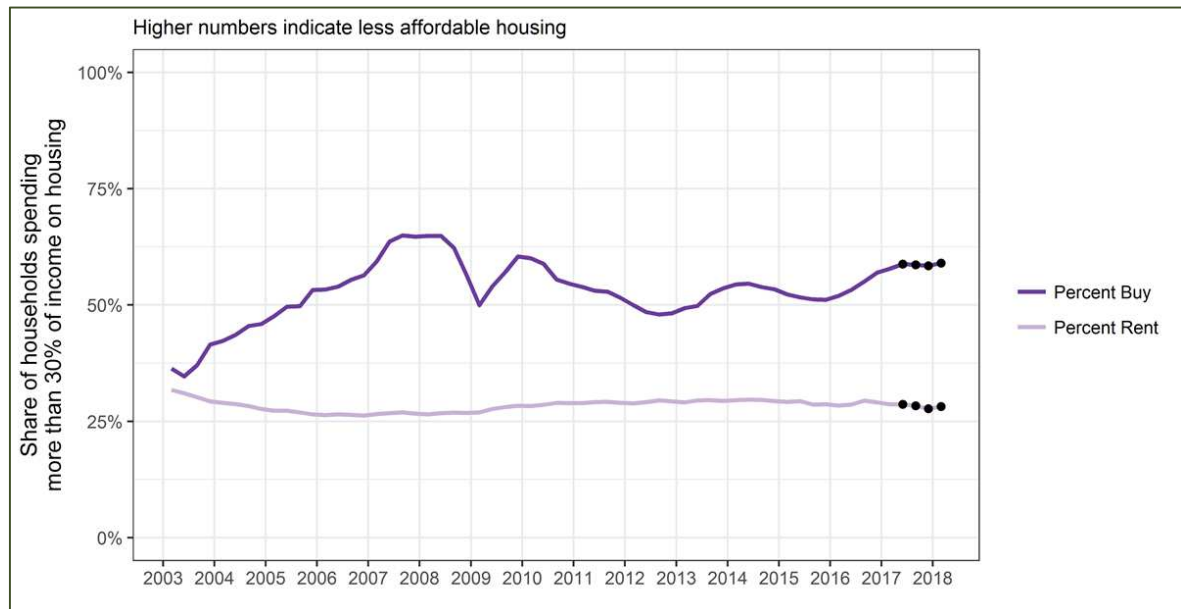


Figure 4: Housing percentage measure 2003-2018.

The work programme that HUD intends to deliver is substantial, however it is too early to tell whether the ambitious objectives will be achieved, and in what sort of timeframe. Clearly, the goals of the programme are closely aligned with the subject of this study, particularly regarding the supply of land and the provision of infrastructure. Either of these activities, or both, if implemented in Dunedin City might be expected to stimulate the mobilisation of land development. However, whether this would lead to affordable housing outcomes being achieved may depend on whether HUD and/or the local authority determine that additional controls are required over the land benefited by this funding programme.

2.3.1.4 Welcome Home Loan

The Welcome Home Loan scheme is administered by Housing New Zealand (HNZ)¹¹ and operates by essentially reducing the deposit value of a new house purchase from the

¹¹ Note, in October 2019 Housing New Zealand was restructured into Kāinga Ora – Homes and Communities. In this study, the name Housing New Zealand has been used.

standard bank lending proportion (often a minimum of 20% of the house purchase price) to a more modest proportion of 10% (Welcome Home Loan, 2019). The funding is still provided by the bank, but the mortgage payments are insured through Housing New Zealand, thereby reducing the risk to the lending institute.

To be eligible for a Welcome Home Loan, house purchasers must meet a range of criteria, including (Am I Eligible?, 2019):

- A maximum yearly income of up to \$85,000 (individual person) or \$130,000 (if more than one person is buying the property).
- A maximum house purchase price cap of between \$400,000 and \$650,000 depending on region and whether the house is a new build.
- Purchaser must be first home buyer (or a previous home owner who is in a similar financial position to a typical first home buyer).
- The purchaser must live in the property that is being purchased (i.e. the scheme cannot be used to buy an investment property).
- The purchaser cannot own any other property.

While the Welcome Home Loan scheme appears to be a useful option for people seeking to purchase their first home, it does not seem to have particular relevance to the mobilisation of land for affordable housing. Perhaps there may be an indirect relationship, in the sense that easier access bank lending facilities might be expected to increase the pool of possible land purchasers, which in turn may stimulate land development. Beyond this casual connection, it is difficult to see how the Welcome Home Loan scheme might have any meaningful bearing on affordable housing or affordable land.

2.3.1.5 KiwiSaver

The KiwiSaver scheme is a work-based savings initiative that is operated by New Zealand's Inland Revenue Department (IRD) as a means of promoting long-term retirement savings. For workers enrolled in KiwiSaver, both they and their employer are required to make regular financial contributions into their savings account (KiwiSaver in a nutshell, 2019). Generally, payment of a KiwiSaver account is made when the holder turns 65, however there are some exceptions to this and one of these is if an account holder wishes to put their savings into the purchase of their first home. A person who has been a KiwiSaver member for at least three years is able to withdraw some or all of their

KiwiSaver balance to put this towards the purchase of a first home, provided that the home is not an investment property (Savings withdrawal to purchase your first home, 2019).

A second option for home-buyers is also offered through the KiwiSaver initiative, called the HomeStart grant. Under this facility a person who has been a KiwiSaver member for at least three years is able to apply for a grant of up to \$20,000 to assist with the purchase of a first home. To receive a HomeStart grant, applicants must have a household income of less than \$85,000 (for one person) or less than \$130,000 per year (for two or more people), have a deposit of at least 10% of the house purchase price, and be planning to live in the house for at least 6 months (KiwiSaver HomeStart grant, 2019).

As with the Welcome Home Loan scheme described in the subsection above, the KiwiSaver programme may not have a particularly meaningful bearing on the mobilisation of affordable land. However, the KiwiSaver programme might be expected to produce a positive influence in respect of affordable housing, due to enabling access to a recipients accrued KiwiSaver savings account, which otherwise would have been unavailable, and through access to the HomeStart grant scheme.

2.3.1.6 Ministry of Social Development Subsidies

The Ministry of Social Development (MSD) offers two primary subsidy schemes to assist with accommodation costs. These are the income-related-rent subsidy, which relates to social housing programmes, and the accommodation supplement, which provides a top-up subsidy for people on low-incomes.

MSD also offers the Working for Families tax credit scheme, which provides additional financial assistance for low-income families with children under the age of 19. The purpose of this is to help with the cost of raising a family, including accommodation costs. The Working for Families tax credit scheme has marginal relevance to the subject of this study, and is unlikely to feature further.

2.3.1.6.1 Income-Related-Rent Subsidy

The income-related-rent-subsidy is a subsidy scheme administered by the Ministry of Social Development to assist people living in homes that are owned by approved

community housing providers. The scheme operates by calculating the difference between the level of rent that a person can afford and the market rent for the unit, with the government contributing a rental subsidy equal to this difference (Income Related Rent Subsidy, 2019). The Public Housing Quarterly Report to December 2018 (New Zealand Government, Ministry of Housing and Urban Development, 2018) states that there are 65,225 public housing units throughout the country, and a total quarterly income-related-rent subsidy spend by the government of \$242,442,496 (equating to \$286 per week per unit). The report also shows an increase in the people who have been placed on the housing register (a wait list for subsidised housing) from 3,476 people in December 2015 to 10,712 in December 2018, an increase of 308% over the 3-year period.

To qualify to rent a public housing unit, the tenant(s) will generally need to have an after-tax income of \$32,070 per annum for an individual with no children or \$49,388 per annum for a couple or where there are children. Additionally, the tenant(s) will have cash assets worth less than \$42,700 (Who can get social housing?, 2019).

2.3.1.6.2 Accommodation Supplement

The accommodation supplement offered by the government through the MSD is a weekly payment that is made to eligible people to assist with the payment of a mortgage, rent or board (Accommodation Supplement, 2019). The weekly accommodation supplement payment is between \$55.00 and \$305.00, the exact amount being dependant on the specific circumstances of the recipient, including income, value of assets, housing region and family context (Entry thresholds and maximum rates, 2019). The accommodation supplement cannot be claimed if the recipient is living in a public housing unit (with an associated income-related-rent subsidy).

2.3.2 REGIONAL POLICY

Regional policy for the Otago province is developed by the Otago Regional Council. There is only a single regional policy that has any relevance to affordable housing, and this is reviewed below.

2.3.2.1 Regional Policy Statement for Otago

The Regional Policy Statement for Otago (RPSO) has been produced by the Otago Regional Council in accordance with the requirements of the RMA. The RPSO is presently in a

transition process, with the 2019 version mostly operative and the 1998 version still in effect in relation to a number of the new provisions that are subject to appeal processes. The review below has been undertaken in respect to the 2019 version of the RPSO.

The RPSO contains several references to housing supply, but the single substantive provision appears with Objective 4.5 which seeks to ensure that urban growth and development is well designed, occurs in a strategic and coordinated way, and integrates effectively with adjoining urban and rural environments. Sitting beneath this objective is Policy 4.5.1, which describes the Council's desire to provide for urban growth and development in a strategic and co-ordinated way, including by:

- Monitoring supply and demand of residential, commercial and industrial zoned land.
- Ensuring that there is sufficient housing and business land development capacity available in Otago.
- Setting minimum targets for sufficient, feasible capacity for housing in high growth urban areas.

While this policy does not specifically address the potential need for affordable housing or affordable land, the intention for Council to monitor, and set targets for, sufficient housing capacity in Otago, could be inferred to include the consideration of sufficient housing capacity for all groups of people (at all income levels), and this would likely raise the need to have regard to the extent of affordable housing supply needed.

The next section discusses the local policy that is of relevance to affordable housing and affordable land issues.

2.3.3 LOCAL POLICY

There is a reasonably large volume of local policy, developed by the Dunedin City Council, that has a bearing on the affordable housing landscape. This policy framework includes regulatory policy, long-term strategy, financial recovery policy, and various policy that is designed to target particular community outcomes.

2.3.3.1 Dunedin City District Plan

The Dunedin City District Plan (DCDP) has been produced by the Dunedin City Council in accordance with the requirements of the RMA. The DCDP is presently in a transition process, with the Second-Generation District Plan (2GP) version gaining dominance over the previous 2006 version, as the final replacement provisions progressively become resolved through appeal processes. The review below has been undertaken in respect to the 2GP version of the DCDP.

The 2GP has been prepared in accordance with the requirements of the RMA and in terms of the principles of that Act. It is a regulatory document that operates in a hierarchical fashion. The 2GP describes various objectives, which inform a series of policies, and these are used in turn to produce a range of rules and performance standards.

The 2GP does not make any reference to the term 'affordable housing'. The term 'affordable' by itself is not alien to the 2GP, however it is restricted in its use to matters of the installation of new public infrastructure. The term 'housing' by itself appears within different sections of the 2GP, and there are perhaps some implications in respect of the provision of affordable housing contained in these sections. For instance, at the very start of the document, the 2GP openly acknowledges that it has a responsibility in terms of the RMA to ensure that there is sufficient development capacity in respect of housing and business land to meet the expected demands of the district. It may be entirely reasonable to consider the affordable housing market to be a distinct component of the expected demand.

In respect of the mobilisation of land for affordable housing purposes, there are a number of objectives and policies that could contribute to this process. Those provisions that are most relevant to mobilisation of affordable land are noted in Table 4 below:

Table 4: Provisions of the 2GP that are relevant to mobilisation for affordable land.

Provision	Requires
Objective 2.2.4:	Dunedin stays a compact and accessible city with resilient townships based on sustainably managed urban expansion. Urban expansion only occurs if required and in the most appropriate form and locations.

Policy 2.2.4.1:	<p>Prioritise the efficient use of existing urban land over urban expansion by:</p> <ul style="list-style-type: none"> a. identifying existing areas of urban land in a range of locations that could be used more efficiently to provide for medium density housing.
Policy 2.2.4.2:	<p>Encourage new residential housing development in the central city and larger centres, through rules that:</p> <ul style="list-style-type: none"> b. enable adaptive reuse of heritage buildings for apartments.
Objective 2.2.5:	<p>Development in the city is designed to reduce environmental costs and adverse effects on the environment as much as practicable, including energy consumption, water use, and the quality and quantity of stormwater discharge.</p>
Policy 2.2.5.3:	<p>Encourage improvements to the environmental performance of new housing by:</p> <ul style="list-style-type: none"> b. encouraging new medium density housing in parts of the city that have old housing stock that is not protected for its heritage values.
Objective 2.6.1:	<p>There is a range of housing choices in Dunedin that provides for the community's needs and supports social wellbeing.</p>
Policy 2.6.1.1:	<p>Provide for housing development necessary to meet the future housing needs of Dunedin, through zones and rules that provide for an appropriate mix of development opportunities, including: infill development, redevelopment, and greenfield development; and that support Objective 2.2.4. Identify housing needs based on population projections and analysis of housing types required.</p>
Policy 2.6.1.2:	<p>Encourage more residential housing suitable for our ageing population and growing number of one and two person households, through:</p> <ul style="list-style-type: none"> a. zoning of areas that provide for medium density housing to enable transition to lower maintenance housing... ; and b. rules that enable family flats.
Objective 2.6.2:	<p>Dunedin provides sufficient, feasible, development capacity (as intensification opportunities and zoned urban land) in the most appropriate locations to meet the demand over the medium term (up to 10 years), while sustainably managing urban expansion in a way that maintains a compact city with resilient townships.</p>
Policy 2.6.2.1:	<p>Identify areas for new residential zoning based on the following criteria:</p> <ul style="list-style-type: none"> a. rezoning is necessary to meet a shortage of residential capacity. d. considering the zoning, rules, and potential level of development provided for, the zoning is the most appropriate in terms of... xi. Dunedin stays a compact and accessible city with resilient townships based on sustainably managed urban expansion. Urban expansion only occurs if required and in the most appropriate form and locations.

The rules and performance standards that have been developed from the above objectives and policies are numerous and not overly meaningful as part of this study (the objectives and policies contain the more relevant provisions). Accordingly, the rules and performance standards have not been reviewed here.

In early 2019, Dunedin City Council publicly announced that planning staff had started work on plan change process, named 'Variation 2', as a means of enabling within the 2GP the provision of greater residential capacity. This plan change has been initiated as a consequence of a recently completed assessment of future demand and current development capacity (required under the NPSUDC), which has indicated a pending shortfall of supply. The capacity assessment has shown that the 2GP will need an additional 1,000 dwellings to meet the medium-term (2018-28) demand for housing (2GP Update, 2019).

The Variation 2 announcement recognises that the capacity of the City's aging infrastructure is likely to be a significant constraint to the supply of additional urban development opportunities.

Dunedin City Council planning staff anticipate that the Variation 2 project will progress to a consultation phase late in 2019. Following consultation there will need to be a period of policy review before the plan change is formally notified. A final decision on Variation 2 is expected to be made by the end of 2020.

The 2GP, and Variation 2, have a particularly strong relevance to this study. As policies that control how land is used within a particular region are substantially delivered through provisions designed within district plans, it is reasonably likely that any policy to encourage the mobilisation of land for affordable housing purposes will be most effectively implemented as part of the 2GP.

2.3.3.2 Dunedin's 10 Year Plan 2018-28

The long-term plan for Dunedin City has been published by the DCC under the title of Dunedin's 10 Year Plan 2018-28 (10YP). The purpose of the 10YP is to help shape the future of the City, in part by outlining the services and activities the Council will provide,

the projects that will be carried out, and the level of service that the community can expect.

The 10YP describes a number of citywide strategies that form a framework within which key decisions are able to be made. One of the outcomes anticipated by these strategies is to provide a 'supportive city with caring communities and a great quality of life'. To achieve this outcome the 10YP notes several priority actions (pp. 17-19), one of which is the desire to ensure that people are living in warm and healthy homes and affordable housing options are available to all.

A number of forecast projections are made by the 10YP in order to anticipate and prepare for future changes. One of these forecasts is the expectation that the City's population will continue to age, the consequence of this being the need for the Council and community to explore and develop housing options that are better suited to this changing demographic. A second forecast made in the 10YP relates to the predicted level of housing growth, which is almost double the rate of the anticipated population growth (largely due to the average household size reducing). The number of dwellings is projected to grow by 2,500 between 2018 and 2028, and by 9,720 between 2018 and 2068.

2.3.3.3 A Spatial Plan for Dunedin

Dunedin's spatial plan, titled A Spatial Plan for Dunedin (SPD), was adopted in September 2012 and sets the scene for the City's growth and development through to 2050. The purpose of the SPD is to ensure there is a clear and shared vision about what type of city is wanted in the future, with a focus on what that means in terms of the 'look and feel' of the city and how it functions. The SPD is intended to be used to guide land use planning, infrastructure provision, and facilities and services provision.

The SPD states that while Dunedin is seen to have relatively affordable housing, affordability of housing is still an issue for parts of the City's population. This is informed in the context that the proportion of net household income spent on housing costs provides a measure of housing stress (with housing costs of 30% of income or greater being the stress threshold). The SPD describes that in 2008, 33.8% of households in Dunedin were spending 30% or more of their net household income on housing costs and that 10.8% of households spent 40% or more of net household income on housing costs.

To address this, the SPD proposes a target that by 2050 all residents in Dunedin will have a wide choice of affordable housing types that are warm and energy-efficient. This is advanced by the objective that Dunedin will ‘offer a range of quality housing options to provide for different lifestyle choices, life stages, cultures and household sizes, including adequate provision of affordable housing options and opportunities for ‘aging in place’.’ This objective is supported by two policies:

- (a) Enable and encourage a wide variety of housing that meets the diverse needs of the population, including a broad range of dwelling types, sizes and locations.
- (b) Encourage the design of new housing and redevelopment of existing housing stock to take into account lifetime design principals.

The SPD envisages that the above policies will be implemented through several actions, including through provisions to be incorporated into the Second Generation District Plan and through the advancement of information, education, guidelines and recognition initiatives.

2.3.3.4 Dunedin City Council Development Contributions Policy

The DCC Development Contributions policy has been prepared in accordance with the requirements specified in the LGA, the purpose of which is to enable the Council to recover from those persons undertaking development a fair, equitable, and proportionate portion of the costs of capital expenditure necessary to service growth. The policy states that the Council’s baseline position is that it is inappropriate to burden the community as a whole, by way of rating or other payment means, to meet the cost of growth.

The policy enables separate contribution elements to be assessed and charged for each of the three activity areas shown in Figure 5 on the next page (Reasons, 2019).

The method of calculating development contribution values is described in the policy, however this is relatively complex with a wide range of variables (and not of particular assistance to this study).

The Council has the authority to require the payment of development contributions when:

- a Resource Consent is granted
- a Building Consent is granted

- a Certificate of Acceptance is issued for building work situated in its district (whether issued by the territorial authority or by a building consent authority)
- an Authorisation for a Service Connection is granted.

Relevant activity	Community Outcome
Transportation (Roothing and Footpaths)	A connected city with safe, accessible and low-carbon transport systems
Utilities (Water Supply, Wastewater and Stormwater)	A healthy city with reliable and quality water, wastewater and stormwater systems
Reserves and Community Infrastructure (Parks and Reserves)	An active city with quality and accessible recreational spaces and opportunities

Figure 5: Dunedin City Council development contribution charge categories.

It may be possible for the Dunedin City Council to impose a development contributions levy that is intended to advance affordable housing outcomes, however there would need to be a high degree of transparency around how the development activity (which is to be charged the contribution) is causing or contributing to the need for additional affordable housing resources. If this can be established, then the local authority can levy the development for a fair, equitable, and proportionate portion of the costs associated with the required resource, provided that the local authority then commits to investing the received funds into that resource. The difficulty in this scenario is likely to be the ability for the local authority to provide clear evidence of the link between development activities and the increasing need for affordable housing resources. Such evidence would need to stand up in court as developers would very likely consider challenging any development contribution levy for affordable housing.

2.3.3.5 Dunedin City Council Housing Policy

In July 2003, the DCC adopted its Housing Policy, the principle goal of which is to promote an adequate standard of housing for the City's residents. This goal is supported by a number of objectives, including the 'provision of accommodation for those whose needs are not otherwise adequately met in the community provided there is no direct cost to the

ratepayer.’ This objective continues, advising that while the Council’s primary purpose is on the provision of housing for older persons, particularly those with limited financial means, it also has an interest in providing housing for younger persons with disabilities and/or limited financial means. Furthermore, the objective also states that the Council does not have a focus on providing housing for larger families.

To achieve the purpose and objectives of the policy, a number of mechanisms are expressed. These include the collection of housing information and regular reporting, implementation of an advisory and referral service for people in need of accommodation assistance, and the provision of housing that is suited to peoples physical, social and financial needs.

2.3.3.6 Dunedin City Social Housing Strategy

The Dunedin City Council Social Housing Strategy 2010-2020 (SHS) was published in February 2011 as a means for the Council to consider and address social housing issues right across Dunedin. In the strategy, social housing is defined as the provision of accommodation assistance for individuals and families whose housing needs or circumstances are not adequately provided for by the private sector.

Research and consultation undertaken as part of the formulation of the SHS indicated that the presence in 2011 of growing issues related to increased demand for social housing (arising from trends such as demographic change) and a shortage of suitable housing stock (e.g. housing quality and location).

The SHS expresses its desire to ensure that residents have i) access to suitable, adequate and affordable housing options, and ii) access to assistance to meet accommodation needs for those requiring support. To achieve these outcomes, the SHS has adopted the following objectives-

1. To improve the quality of social housing accommodation in Dunedin, including the Dunedin City Council's own community housing.
2. To increase access to social housing options for all residents requiring assistance.
3. To ensure that there are adequate levels of support that address housing needs.
4. To ensure there is adequate emergency housing provision.

The strategy indicates a priority focus for people aged 55 and over, and Council's existing social housing assets are generally quite small, which suits this priority. The majority of social housing tenants are charged a 'breakeven' rental fee, in which rents are set to cover maintenance and depreciation costs only.

The SHS considers trends in demographic information and concludes that the City has an ageing population, and that this is set to continue. As a consequence of this the strategy anticipates a decreasing average household size and the need for a more diverse range of dwelling types. The strategy acknowledges that the City's district plan (as at 2011) does not easily provide for a range of housing sizes and types.

In respect of the quality of housing stock throughout the City, the SHS notes that Dunedin has a relatively high proportion of older houses, with one in five dwellings having been built prior to 1920 (a far higher rate than the national average). This means that houses in Dunedin are less likely to be insulated, retrofitted or outfitted to suit those with physical disabilities, the aged or even young families. The SHS references a report prepared by the Presbyterian Support Services (Povey and Harris, 2005), which focuses on provision of low-income private rentals in Dunedin, that report finding issues with:

- Lack of maintenance being undertaken by landlords leading to substandard housing.
- Cold housing – houses insufficiently insulated, ventilated and/or heated.
- Cost of rental – percentage of income being spent on accommodation.
- Inability of regulations/legislation to ensure a reasonable standard of housing, particularly those built before 1976.

The SHS identifies poor-quality housing as often being linked as a factor in poor health, notably in respect of cold and damp homes. It may also cause economic hardship through excessive expenditure on items such as heating and medical treatment. In particular, mental health consumers, low-income younger individuals and low-income families have been identified as groups that frequently have no choice but to rent poor-quality housing.

Issues relating to housing affordability are also recognised in the SHS, which articulates that a number of groups, including older people, low-income individuals and families, those with physical and sensory disabilities, and mental health consumers and their families, are facing issues of housing affordability and supply. High rental costs and high

energy costs, often associated with poor-quality housing, are understood to be a significant burden for these groups. The strategy anticipates that the projected increase in the older population demographic will create more people in the community reliant on fixed and limited incomes, which will mean that the City can expect a greater proportion of its population facing difficulties in buying or renting property.

2.3.3.7 Dunedin's Social Wellbeing Strategy

The Social Wellbeing Strategy for Dunedin 2013-2023 (SWS) sets out the pathways in which the DCC intends to lead the improvement of social wellbeing of Dunedin residents, in a manner that is consistent with the strategy's vision: 'We are a city with connected people, cohesive communities and quality lifestyles for all'.

The SWS recognises that the availability of affordable and healthy homes is a key implementation pathway to the wellbeing of the City's residents. To meet this pathway, two target outcomes are identified:

- Dunedin people live in warm and healthy homes.
- Affordable housing options are available to all.

The strategy proposes that a coordinated Council approach to housing quality and affordability issues for the City is required. As well as building on the strategic work underway in the social housing sector, there is a need to promote a whole-of-city approach to improving the quality of Dunedin's housing stock.

The SWS recognises that Dunedin has an aging population, and that this changing demographic is expected to produce a greater demand for social housing and for smaller housing units. Furthermore, the strategy describes that Dunedin has relatively low-income levels (compared to national standards), with a larger proportion of low-income households than other New Zealand cities. The SWS suggest that lower levels of income can lead to a number of social impacts, including unhealthy homes due to lack of heating and maintenance. This is exacerbated by the relatively old age of the City's housing stock, with many older dwellings being poorly insulated and/or poorly maintained. The high proportion of older houses also means that the overall housing stock is less likely to meet demand into the future, which is expected to exhibit a growing need for smaller and better-quality houses with fewer maintenance requirements and smaller sections.

2.3.4 SUMMARY OF POLICY REVIEW

Table 5 below has been formulated to provide a summary of the various policies which are in place to respond to affordable housing and affordable land issues in Dunedin City. This summary enables quick reference to the relevant policies, and comparison between the structure and design of each approach. The table describes whether each policy is targeted to a certain type of recipient through eligibility restrictions, and whether the policy supports the provision of affordable land as a means to achieve affordable housing outcomes.

Table 5 summarises the various policies which are in place to respond to affordable housing and affordable land issues in Dunedin City. Some of these policies are more compatible with, or better enable, mobilisation of land in support of affordable housing than others. For instance, at a national policy level the NPSUDC, KiwiBuild and the Housing Infrastructure Fund all provide obligations and/or incentives for blocks of land to be developed in support of housing, whereas the Welcome Home Loan, KiwiSaver and the financial subsidy schemes offered through the Ministry of Social Development are targeted to individual households and are therefore less likely to be used to mobilise a significant quantity of affordable land (rather, housing would still be purchased at market rates). At a local policy level, policy tends to be highly supportive of mobilisation of blocks of land for affordable housing purposes, however, unlike much of the national policy, the local framework is generally high-level and lacking in implementation drivers where it makes reference to affordable housing objectives. The two local policies that are best placed to deliver affordable land outcomes are considered to be the 2GP and the DCC Development Contributions policy, however neither of these documents currently include any meaningful provisions to deliver affordable housing or affordable land.

The next section of the study, following Table 5, considers the policy framework that has been established with the Queenstown-Lakes District region as a means of specifically responding to recognised issues of housing affordability.

Table 5: Summary of affordable housing and affordable land policies.

Policy	Planning Level	Authority	Eligibility Restrictions	Supports Affordable Land Mobilisation	Method
National Policy Statement on Urban Development Capacity 2016 (NPSUDC)	National	Government	None	Yes	The NPSUDC requires local authorities in identified growth areas to assess and provide suitable urban development capacity. In doing this, the policy anticipates that a reduction in artificially inflated house prices and an increase in development competition will contribute to addressing affordable housing issues.
KiwiBuild	National	Government (Ministry of Housing and Urban Development)	Restricted to first-home buyers and lower income households.	No	KiwiBuild aims to provide eligible first home buyers with access to a range of starter homes. One of the core objectives of KiwiBuild is to increase the supply of affordable homes in parts of New Zealand where there is a shortage.
Housing Infrastructure Fund	National	Government	None	Yes	The Housing Infrastructure Fund was a one-off investment by the government into five high-growth areas of New Zealand (not Dunedin City). The funding was provided for the construction of new housing infrastructure, including land preparation. If a second-round of funding was to be proposed by HUD, this policy could potentially benefit the provision of affordable land in Dunedin City.

Welcome Home Loan	National	Government (Housing New Zealand)	Restricted to first-home buyers, and lower income households.	No	The Welcome Home Loan scheme operates by reducing the deposit value of a new house purchase from the standard bank lending requirement. The home loan is protected via insurance arranged by Housing New Zealand.
KiwiSaver	National	Government (Inland Revenue Department)	Restricted to 3-year-plus KiwiSaver members, first home buyers, and lower income households (HomeStart grant).	No	There are two methods available under the KiwiSaver programme to assist people with affordable housing. The first is the ability for a person's KiwiSaver account balance to be put towards the purchase of a first home. The second is the HomeStart grant, which allows a person on limited income to apply for a grant of up to \$20,000 to assist with the purchase of a first home.
Ministry of Social Development Subsidies	National	Government (Ministry of Social Development)	Restricted to low-income households.	No	There are two subsidies available to assist with housing-related costs. One is the income-related-rent subsidy, which is available to residents of approved social housing units. The other is the accommodation supplement, which is available to people on low-incomes who are not living in social housing facilities.
Regional Policy Statement for Otago	Regional	Otago Regional Council	None	Yes	Policy 4.5.1 of the Regional Policy Statement for Otago includes the objective to set minimum targets for sufficient, feasible capacity for housing in high growth urban areas. This is consistent with the NPSUDC (see above) and might be anticipated to respond to affordable housing issues in a similar manner to that policy.

Dunedin City District Plan (2GP)	Local	Dunedin City Council	None	Yes	The Dunedin City District Plan acknowledges that it has a responsibility to ensure that there is sufficient development capacity in respect of housing to meet the demands of the district. This is supported by a number of objectives and policies that promote such considerations as the identification of housing needs based on the assessment of future population demographics, and the provision of housing development capacity as appropriate and necessary to meet the future housing needs of Dunedin (through infill development, redevelopment, and greenfield development). A plan change process (Variation 2) has been initiated by DCC following the recent housing capacity assessment report, which identifies a shortage of urban development capacity. It is understood that Variation 2 is looking at methods to generate a greater capacity for residential housing within the region, however it is uncertain whether this will include provision for affordable housing options.
Dunedin's 10 Year Plan 2018-28	Local	Dunedin City Council	None	Yes	One of the outcomes anticipated by the strategies contained in Dunedin's 10 Year Plan 2018-28 is the desire for the City to be: 'A supportive city with caring communities and a great quality of life'. To achieve this outcome, the 10YP describes the objective to have people living in warm and healthy homes, with affordable housing options available to all.

A Spatial Plan for Dunedin	Local	Dunedin City Council	None	Yes	The Spatial Plan for Dunedin proposes a target that by 2050 all residents in Dunedin will have a wide choice of affordable housing types. This is advanced by the objective that Dunedin will 'offer a range of quality housing options to provide for different lifestyle choices, life stages, cultures and household sizes, including adequate provision of affordable housing options and opportunities for aging in place'. The SPD proposes to encourage a wide variety of housing that meets the diverse needs of the population. To achieve this, the SPD anticipates that suitable provisions will be incorporated into the Dunedin City District Plan, and that relevant housing initiatives will be advanced through the provision of information, education and guidelines.
Dunedin City Council Development Contributions Policy	Local	Dunedin City Council	None	Yes	Development contribution policies enable local authorities to charge costs against development activities in anticipation of the additional demand that the subject activity is expected to have on local infrastructure. It appears that there is scope within the DCC Development Contributions Policy to introduce a component charge related to meeting certain costs related to the provision of affordable housing resources. DCC would need to demonstrate a clear link between development activities and an increasing need for affordable housing resources.

Dunedin City Council Housing Policy	Local	Dunedin City Council	None	No	The Dunedin City Council Housing Policy describes its objective to ensure that there is sufficient 'provision of accommodation for those whose needs are not otherwise adequately met in the community provided there is no direct cost to the ratepayer'. The focus of this policy is on the provision of housing for older persons, particularly those with limited financial means. To achieve the purpose of the policy it is proposed that there are efficient processes implemented for the collection and reporting of housing information, for the referral of people in need of accommodation assistance, and for the provision of housing that is suited to people's physical, social and financial needs.
Dunedin City Social Housing Strategy	Local	Dunedin City Council	Restricted to low-income households.	No	The Dunedin City Social Housing Strategy expresses a desire to ensure that residents of the City have access to suitable, adequate and affordable housing options, and that there is access to assistance to meet accommodation needs for those who require support. To achieve these objectives the SHS aims to improve the quality and accessibility of social housing accommodation in Dunedin, and to ensure that there are adequate levels of support that address housing needs. The strategy prioritises people aged 55 and over. The majority of social housing tenants are charged a 'breakeven' rental fee.

Dunedin's Social Wellbeing Strategy	Local	Dunedin City Council	None	No	Dunedin's Social Wellbeing Strategy recognises that the availability of warm, healthy and affordable homes is important to the wellbeing of the City's residents, and that there should be affordable housing options available to all. The strategy proposes that a coordinated Council approach to housing quality and affordability issues for the City is required. As well as building on the strategic work underway in the social housing sector, the SWS describes that there is a need to promote a whole-of-city approach to improving the quality of Dunedin's housing stock.
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2.4 QUEENSTOWN-LAKES DISTRICT: CASE STUDY

The purpose of the case study is to explore the effectiveness of an affordable land policy which has already been implemented in New Zealand. The Queenstown-Lakes District has been selected for this case study principally because the affordable land policy in this region has been in place longer than other similar such policies around the country, which is expected to allow the effectiveness of the policy to be reliably ascertained.

A second reason for selecting the Queenstown-Lakes District for this case study is the knowledge that the case study site and the research focus location are both contained within the province of Otago, and are both subject to the authority of a common provincial body; the Otago Regional Council (ORC). The ORC is responsible for formulating and implementing regional policy, and where there are implications for affordable housing and/or affordable land within such policy these implications will very likely apply in a consistent manner to both Dunedin City and Queenstown-Lakes District.

In addition to national-level and regional-level policy, which has been reviewed in subsections 2.3.1 and 2.3.2 above, the Queenstown-Lakes District is subject to specific local policy which has been formulated by the Queenstown-Lakes District Council (QLDC). Local policy in the case study area has not been discussed earlier in this research and is considered within the content below. In particular, this research considers below the conception, formulation, implementation, and the real-world outcomes that are associated with the affordable land policy presently operating within the Queenstown-Lakes District.

Once an understanding of how the provision of affordable land within the case study region has been gained, this knowledge can be used to evaluate where there is consistency or contrast between the policy landscapes that exist in the two study regions. This information will inform the assessment of the feasibility of introducing an affordable land policy into Dunedin City.

2.4.1 QUEENSTOWN-LAKES DISTRICT CONTEXT

The Queenstown-Lakes District occupies the western portion of the Otago province (refer Figure 7 at the start of chapter 4 below). Compared to Dunedin City, urban development

within the Queenstown-Lakes District has been a relatively new activity, predominantly occurring from the early 1980's onwards. Accordingly, the age of the District's housing stock, and its supporting public infrastructure, is reasonably modern when compared to other parts of New Zealand.

Within the Queenstown-Lakes District there are a number of urban areas, including Queenstown and its satellite townships (approximately 20,900 residents), the neighbouring Wanaka and Hawea townships (with approximately 12,300 residents combined), and a collective of smaller townships spread through the District (with approximately 6,300 residents combined). In total, the District's population is reported to be 39,500. This population is supported by some 20,840 individual houses (Queenstown-Lakes District Council, 2018).

Population growth within Queenstown-Lakes District is amongst the highest in New Zealand, with the population projected to grow by some 16,900 residents between 2018 and 2028, an annual increase of 3.6% (Queenstown-Lakes District Council, 2018).

The District is regarded as one of the foremost resort centres of New Zealand. In addition to the internationally-acclaimed natural beauty of its mountain and lake environment, the District has developed a broad range of traditional and innovative adventure-based recreational activities. Between the attractiveness of the natural environment and the District's reputation for exciting activities, the resort region has attracted a large transitional population comprising tourists seeking to enjoy the District's services and workers seeking employment in support of provision of those services. Many of the people making up this transitional population are young.

Largely due to the growth of the resort district, including the inflow of visitors seeking either to enjoy the local environment and activities or to gain employment from servicing these tourists, the Queenstown-Lakes District arrived at a realisation in the late 1990's that affordable housing supply was likely to become a significant social and economic issue for the region. A strategic report by Queenstown-Lakes District Council (2005), which outlined the manner in which the region intended to respond to the issue of housing affordability, recognised that the Queenstown-Lakes District region had the least affordable housing in the country (using 2001 data). A more recent report by Fairgray et al. (2018) into the state of housing capacity within Queenstown-Lakes District shows that

when measured using the median house purchase price to median annual household income approach (i.e. the Demographia method), housing affordability has worsened over recent years, moving from a ratio of around 9.5 in October 2015 to a ratio of around 13.0 in October 2017.

The next subsection of this study looks at what policy mechanisms the Queenstown-Lakes District has utilised to address the predicted impacts of worsening levels of housing affordability.

2.4.2 QUEENSTOWN-LAKES AFFORDABLE HOUSING POLICY FRAMEWORK

The Queenstown-Lakes District has employed several policy tools over recent years to address issues of affordable housing within the local region. These tools include the establishment of stakeholder deeds between the local authority and private land developers, the adoption of a plan change to specifically target affordable housing issues, and the creation of special housing areas under the Housing Accords and Special Housing Areas Act 2013 (HASHAA) provisions. These mechanisms are discussed under the subsection headings below, as is the use of a housing trust to act as the delivery vehicle for the intended affordable housing and affordable land outcomes. At the conclusion of this subsection, the study provides a summary of the Queenstown-Lakes District affordable land policy features.

2.4.2.1 Stakeholder Deeds

The use of stakeholder deeds to address affordable housing issues has been the traditional practice within the Queenstown-Lakes District. These deeds are between private land developers and QLDC as a means of establishing a legal agreement for the provision of certain environmental outcomes. While often containing requirements for the provision of affordable housing supply, these deeds are not necessarily limited to just affordable housing issues (and nor are compelled to address affordable housing outcomes). Entering into a stakeholder deed provides the developer an advantage when applying for the necessary resource consent or plan change, in the sense that certain positive outcomes are guaranteed by the deed but will only be implemented if the consent or plan change is approved.

The first stakeholder deed was entered into in August 2003, relating to the Jacks Point Village development, and this was followed by a further nine deeds between 2006 and 2011.

The Jacks Point Development Stakeholder Deed (Anderson Lloyd Caudwell, 2003) included the following affordable housing provisions:

- Clause 19 of the stakeholder deed recognises that there are problems currently faced by the Queenstown community of rising land and accommodation prices and lack of supply of affordable residential accommodation.
- Clause 20 of the deed records that the developer will make a contribution of land and/or money to community housing. A contribution of land would comprise a transfer of 5% of the number of developed residential lots to a local Housing Trust at nil consideration or 10% of the number of residential lots developed at 50% of market value. A contribution of money would be a financial payment equal to the market value of the residential lots which would otherwise be transferred to the Trust.

Each of the ten stakeholder deeds have been individually negotiated between the respective developers and QLDC, and accordingly the extent of the provisions contained in each deed can vary considerably.

2.4.2.2 HOPE Strategy and Plan Change 24

In late 2003, the Queenstown-Lakes District Council (QLDC) identified the need to respond more formally to the issue of housing affordability within the Queenstown-Lakes District. This decision resulted in the commissioning of several reports of the state of affordable housing in the district, and ultimately the adoption of the Housing Our People in our Environment (HOPE) strategy in June 2005.

The overall goal of the HOPE strategy has been to 'increase access to quality, affordable housing that is integrated into the community so as to support the community's outcomes related to the sustainable economic, social and environmental development of the QLDC area'. The strategy further signals that it is not just a matter of increasing the supply of affordable housing, but ensuring that affordable housing is also of good quality and integrated into the community.

Initial targets of the strategy were to include the implementation of planning mechanisms and financial initiatives to encourage the market place to deliver in the order of 250 more affordable rental and owner-occupier houses in Queenstown and in the order of 60 in Wanaka.

Between 2005 and 2007, QLDC worked in the background to develop a suitable planning mechanism that would achieve the objectives of the HOPE strategy. The result of this work was a proposed change the local district plan, which would be designed to enable QLDC to impose affordable housing requirements onto land development activities. This change became known as Plan Change 24 (PC24).

In October 2007 the public received formal notification of PC24. The purpose of PC24 was stated in the public notice as being: 'to introduce affordable housing into the policies of the district plan so that it can become a relevant matter when Plan Changes/Variations are proposed, as well as when resource consent applications are considered, for example in relation to discretionary activities. This is so the impacts of planning changes on affordability, both positive and negative, are addressed'.

The public notice described two objectives; first, to provide a range of opportunities for low- and moderate-income resident households and temporary worker households to live in the district in accommodation appropriate for their needs, and second, to ensure the provision of high-quality affordable housing in proximity to places of work, transport and community services.

The way in which the proposed plan change was intended to be implemented for residential development is summarised as:

- The affordable housing requirements of PC24 would not apply to any development that has already been anticipated by the district plan. Essentially, any new residential development in a zone that, prior to PC24, provided for such residential activities would not be subject to the PC24 provisions (so long as the new development was undertaken in accordance with the density requirements of the particular zone).
- For proposals that sought to have land rezoned for residential purposes, or that sought to establish a greater number of residential activities on a block of land

beyond what the district plan would ordinarily permit, then the PC24 provisions would be applied and the developer of the land may be required to dedicate a portion of the developed land parcels and/or housing units to function as affordable housing units. A portion of these affordable housing land parcels / housing units may be required to be transferred to the Queenstown-Lakes Community Housing Trust to be used to meet community housing needs.

- It was proposed that a range of new objectives and policies would be inserted into the district plan, and that new rules would be applied to many of the zone sections of the Plan to enable conditions to be included in land use and/or subdivision consents that required the provision of, or contribution towards, affordable and community housing.

Following submission and public hearing processes, a decision was issued on PC24 in January 2009 to adopt the plan change largely in the form that it was notified. This decision was appealed to the Environment Court by several local development organisations on the general grounds that:

1. The issue of affordable housing is not a matter that can be addressed under the Resource Management Act (RMA).
2. There is not an affordable housing shortage in the district that requires intervention using the planning process in the manner proposed by PC24.

The Environment Court appeal was dismissed, and in August 2010 the decision was taken to the High Court. In February 2011 the High Court appeal was dismissed, however leave was granted by the High Court for the appellants to take the case to the Court of Appeal. Between 2011 and 2012, QLDC undertook a collaborative process with appellants and other stakeholders to consider the details of PC24, and this was concluded with PC24 being made operative in August 2013.

The final structure of PC24, as adopted into the operative district plan form, includes the following affordable housing provisions:

- In the District Wide Issues section of the district plan, a new affordable housing objective has been included to promote the provision of a range of residential activities that contribute to housing affordability in the District. Three new policies are linked to this objective:

- To provide opportunities for low- and moderate-income households to live in the District in a range of accommodation appropriate for their needs.
- To have regard to the extent to which density, height, or building coverage contributes to Residential Activity affordability.
- To enable the delivery of community housing through voluntary retention mechanisms.

The above policies are applied through the assessment of resource consents for activities that breach zone standards for density, height, building coverage or minimum lot sizes and dimensions, and through the assessment of proposed changes to the district plan.

- In the Special Zones section of the Plan, there are a number of objectives and policies that relate to affordable housing outcomes within specific ‘special zones’, including:
 - To enable built forms and development layouts conducive to affordable housing (Jacks Point Resort Zone).
 - To ensure that the affordable housing demand generated by the development and/or subdivision is avoided, remedied, or mitigated, and to levy a contribution towards affordable housing if necessary, to offset any adverse effects (Ballantyne Road Mixed Use Zone).
 - To enhance the provision of affordable housing through establishing links with the Queenstown Lakes Community Housing Trust (Shotover Country Special Zone).
- In the Subdivision, Development & Financial Contributions section of the district plan, a rule that requires the provision of 20 affordable lots within the Northlake Special Zone.

Interestingly, the rules integrated into the district plan only include the requirement for delivery of affordable housing in several specific zones. There are no general rules for affordable housing throughout the District as a whole. Rather, the district plan appears to rely on the new objective, and its related policies, which seek the promotion of activities that contribute to housing affordability, the provision of opportunities for low- and moderate-income households, and the use of voluntary retention mechanisms in support of affordable housing outcomes. It would appear that the provisions inserted into the district plan, following the court processes and subsequent stakeholder engagement, are

predominantly high-level, with the rules that are used to regulate the implementation of these provisions being restricted to a substantially limited set of residential zones.

2.4.2.3 Special Housing Areas

Special housing area (SHA) designations appear to have recently become the preferred mechanism for QLDC to provide affordable housing outcomes. SHA's are established under the HASHAA and require participation by the designated Minister. The Queenstown-Lakes District is recognised in Schedule 1 of HASHAA as a region that has significant housing supply and affordability issues.

SHA's created under the HASHAA enjoy an easier pathway for development. There are significant departures allowed from the usual RMA notification processes when consents for development are sought, and the right for parties to appeal or object to consent decisions is also considerably more limited. To balance these leniencies each SHA must adhere to the agreement entered into between the applicable territorial authority and the Minister. The Minister can require certain outcomes to be included in these agreements, including the possible inclusion of a minimum percentage of affordable dwellings.

There are ten approved SHA's within the Queenstown-Lakes District, with a total of 1,659 residential sections/units (Approved Special Housing Areas, 2019) expected to be achieved from these areas. Some, but not all, of these SHA's include provisions for affordable housing units. For instance, the Housing Accords and Special Housing Areas (Queenstown-Lakes) Order 2017, which describes the agreed outcomes for residential development at the Gorge Road, Arthurs Point, Lake Hawea and Bright Sky SHA's, stipulates that at least 30% of the dwellings built within the Gorge Road block must meet specified affordable dwelling criteria. There are no affordable housing outcomes required as part of new development within the other three SHA blocks described in the 2017 Order.

The HASHAA is intended as an interim measure to address housing issues, and it has several built-in automatic repeal dates that are designed to ensure that its duration is limited. No new housing accords or SHA's can be sought after September 2019, and no accords or SHA's that are under application can be ratified after September 2021. If the government does not amend the HASHAA to defer these automatic repeal dates, QLDC

may need to revert to using the PC24 provisions that exist in the district plan or to reliance on stakeholder deeds in order to continue to achieve desirable affordable housing outcomes.

2.4.2.4 Queenstown-Lakes Community Housing Trust

In 2007, coinciding with the public notification of PC24, QLDC established the Queenstown-Lakes Community Housing Trust (QLCHT) as a semi-independent, not-for-profit community owned organisation. The mission of the QLCHT is to help committed residents of the Queenstown Lakes District into decent affordable housing with secure tenure (Queenstown-Lakes Community Housing Trust, 2019).

While QLCHT receives some funding through grants from Housing New Zealand, the majority of its funding arrives through ongoing contributions of land, buildings and/or funds from private developers who have agreed to provide support for community housing through stakeholder agreements, PC24 requirements, and/or SHA obligations. The QLCHT also receives land from QLDC from time to time.

Whenever the QLCHT receives land and/or funds, these resources are used to produce affordable residential units. To ensure that these units remain affordable the houses are generally more compact than most houses in the region. As at October 2019, the QLDC has been directly involved in managing the delivery of 98 affordable housing units across five different development sites (Our Developments, 2019).

The QLCHT operates several affordable housing programmes, each suited to the needs of different groups of people. These comprise:

- The Secure Home programme aims to assist eligible people into long-term home ownership. Under this programme the QLCHT owns the land, which is leased to the recipient at a rental set well below market rent (on a 100-year lease). The recipient purchases the housing unit from the QLCHT at the value of the construction cost. If at any time the recipient chooses to move on, the QLCHT will purchase the house back at the original purchase price, plus an annual inflation adjustment.
- The Rent Saver programme is designed to help people save for a deposit, through providing secure tenure for 5 years and a savings incentive programme. The

recipient is rented a housing unit at market value and agrees to a savings goal with the QLCHT. Provided that the savings goal is achieved, the QLCHT will match the savings up to a total of \$13,000 over the 5-year term.

- The Affordable Rental programme is designed to provide affordable, secure tenure in decent quality homes to low-income households. Housing units are rented to recipients for a 5-year term at a rental rate that is discounted by up to 20% from the market value. It is anticipated that after 5 years households will be in a financial position whereby further rental subsidies will no longer be needed.
- The Senior Housing programme is similar to the Affordable Rental programme and enables older people in the community to rent decent quality homes at a rental rate that is discounted by up to 20% from the market value.

Each of the affordable housing programmes described above includes a set of specific eligibility criteria for recipients, which include income caps. Applicants for any of the affordable housing packages must demonstrate that they meet the prerequisite criteria.



Figure 6: Affordable housing units in the Shotover Country SHA.

An example of the affordable housing units provided by the QLCHT are 44 new homes that have been developed in the Shotover Country SHA. This land was provided to the trust as a consequence of the inclusionary zoning approach applied to the Shotover Country rezoning process. The affordable housing units administered by the QLCHT include a

mixture of shared-equity ownership, affordable housing and senior housing opportunities for eligible recipients. Figure 6 above shows the nature of the QLCHT housing units that have been developed in the Shotover Country SHA.

2.4.3 SUMMARY OF CASE STUDY POLICY

The Queenstown-Lakes District has in many ways led the country in identifying and implementing potential policy solutions for growing housing affordability issues.

Measures for addressing housing affordability issues were first introduced in the early 2000's through negotiated stakeholder deeds. These appear to have been relatively effective, but were entirely reliant on positive outcomes being able to be realised by both the community and the developer. For this reason, stakeholder deeds have only really been applied to large-scale residential land rezoning projects, where the value uplift of the land being rezoned is sufficient to allow the developer to transfer some of this value to the community in the form of affordable housing obligations and still be left with a viable investment return.

PC24 attempted to take the concept used in the stakeholder deeds and to introduce this into the district plan as a method to formalise affordable housing supply from private development. This was appealed through the courts, and while PC24 ultimately overcame these legal challenges, by the time the new provisions were formally adopted into the district plan they had been reconfigured to such an extent that there is a relatively confined ability for QLDC to drive mandatorily affordable housing outcomes from private development projects.

The special housing areas created under the provisions of the HASHAA have been able to introduce affordable housing requirements more effectively than PC24. Similar to stakeholder deeds, these areas relate to blocks of land that are rezoned for new residential development. The Minister has the final say on designating a block of land as a SHA, and can stipulate certain affordable housing obligations that future development must comply with. As with the stakeholder deeds, the implementation of affordable housing in the special housing areas relies on the value uplift that is achieved when the land is rezoned for residential purposes being sufficient to support both the affordable housing obligation as well as the necessary investment returns.

Research undertaken by Austin, Gurran and Whitehead (2014), which compares approaches to planning and delivery of affordable housing across England, Australia and New Zealand, found that the inclusionary zoning initiatives implemented within the Queenstown-Lakes District have '*generated approximately 200 affordable dwelling units (actual and pending developments) in the least affordable housing market in the country*' (p. 466). Note, this research does not include the affordable housing provisions integrated into the SHA developments, as these provisions were brought into effect after this research was carried out.

The Queenstown-Lakes Community Housing Trust (QLCHT) is tasked with receiving land, houses, and/or funds from private development, using these resources to develop and administer affordable housing units, and operating a range of affordable housing programmes to alleviate the burden of unaffordable housing costs for eligible households. The affordable housing programmes appear to be designed in such a way as to enable the affordable aspect of each unit to be recovered and repurposed as the needs of recipient households change.

Affordable housing units developed by the QLCHT are generally built within larger private development projects, in keeping with inclusionary zoning principles. These units tend to be more compact than other houses in the region, but otherwise are seemingly well-designed, well-built, and designed to be attractive within their local environment. The QLCHT appears to have been relatively effective at coordinating and maintaining affordable housing options for a growing number of households in the local community.

Overall, the development of policy mechanisms within the Queenstown-Lakes District to address recognised affordable housing issues looks to have been innovative and responsive over recent years. Interestingly, the negotiated policy arrangements (the stakeholder deeds and to some degree the special housing areas) appear to have been more successful than the strictly regulatory PC24 policy. Clearly, between the implementation of the various affordable housing policy mechanisms, and the introduction of the QLCHT as a vehicle to deliver affordable housing outcomes, the District and its community has received the benefit of a valuable affordable housing resource.

2.5 RESEARCH CONTEXT LEARNINGS

Research holds that a lack of affordable housing is often associated with an increase in issues related to health and poverty, financial stress, mental, physical and emotional suffering, and at a broader scale can cause an erosion to the social cohesion of a community. Research has also suggested a range of methods that might be employed to not only measure and understand how affordable housing might be occurring or changing within a particular region, but also to enable a subject community to respond to the problem.

Generally, it is the legislation and policy frameworks that govern how a community is able to respond to affordable housing issues, and it is the responsibility of central government and applicable local authorities to build these frameworks in manner that is able to support the outcomes which are desired by the constituent community. An efficient response to affordable housing issues may sit more easily within the local policy framework than through national legislation, for reasons of legislation being less able to target distinct outcomes within particular communities, and being more vulnerable in the event of a change in government.

It is natural to expect that not all mechanisms designed to respond to affordable housing issues will find favour amongst all sectors of the local community. For instance, a mandatory affordable housing contribution imposed on private development projects is unlikely to be favoured by those people reliant on private development activities for their livelihoods. On the other hand, incentivising the mobilisation of affordable housing or affordable land through increased development density allowances may upset those members of the community who feel that an intensification of urban density could undermine existing neighbourhood values.

The Queenstown-Lakes District case study demonstrates that a subject community, if sufficiently determined and suitably supported by its local authority, can implement a genuine response to affordable housing issues. The creation of the Queenstown-Lakes Community Housing Trust, and the work that the not-for-profit Trust has undertaken to manage the delivery of 98 affordable housing units to-date, shows that positive community outcomes can be achieved through a local policy response which is carefully crafted to suit the local setting.

Table 6 below has been developed as a means of outlining the various mechanisms available to support a response to affordable housing issues, and to more easily understand which actors are responsible for implementing these mechanisms, how the mechanisms relate to existing legislation and policy, and whether each mechanism includes the ability for the affordable housing resource to be maintained in perpetuity.

Table 6: Summary of different affordable land opportunities.

Affordable Land Mechanism		Potential Positive Outcomes	Potential Negative Outcomes	Administered by	Can be used to mobilise affordable land from private development	Allows retention of affordable value
Inclusionary Zoning	Mandatory	<p>Potential to generate a large number of affordable land parcels in a range of locations.</p> <p>Generally compatible with existing legislation and policy.</p> <p>Captures a share of any 'value uplift' associated with new greenfields development.</p>	<p>Potentially subject to legal challenge.</p> <p>May be difficult to apply to existing residential zones.</p> <p>Seen as a cost imposition to development by the private sector.</p> <p>May slow down housing construction if the associated costs are too high.</p> <p>Prices of other land parcels may be increased by developers to offset costs.</p> <p>Communities may object to integration of affordable properties (may cause a loss of neighbourhood amenity values).</p>	Local authority	Yes	Yes, but only if the land is tied to an external agency.

Inclusionary Zoning	Voluntary	<p>Potential to generate a moderate to large number of affordable land parcels in a range of locations (although likely less sites than a mandatory scheme).</p> <p>Can be readily applied to existing residential zones.</p> <p>Generally compatible with existing legislation and policy.</p>	<p>Requires incentivisation (such as density bonusing) to become an attractive option to the private sector. Without this it is unlikely that the uptake will be meaningful.</p> <p>Communities may object to integration of affordable properties (may cause a loss of neighbourhood amenity values).</p>	Local authority	Yes	Yes, but only if the land is tied to an external agency.
	Density bonusing	<p>Can be applied to both mandatory and volunteer inclusionary zoning schemes.</p> <p>Incentivises private development to produce affordable land parcels, thereby expected to be more effective than inclusionary zoning without density bonusing.</p> <p>If used prudently, density bonusing can enable more efficient use of local infrastructure.</p>	<p>Potentially subject to legal challenge.</p> <p>Requires other land constraints, such as infrastructure and topography, to be compatible.</p> <p>Communities may object to integration of affordable properties and increased density (may cause a loss of neighbourhood amenity values).</p>	Local authority	Yes	Yes, but only if the land is tied to an external agency.

Planning Policy Relaxation	Expand residential zones areas	<p>Provides greater urban capacity relatively quickly.</p> <p>Simple to implement, understand and administer.</p> <p>Will support the construction of new housing.</p> <p>Generally compatible with existing legislation and policy.</p>	<p>Will not provide land for affordable housing, unless combined with new inclusionary zoning rules.</p> <p>Relies on the concept that greater land supply will lead to a reduction in house prices across the full market spectrum.</p> <p>May not capture 'value uplift' of land effectively.</p> <p>May encounter issues with infrastructure capacities.</p> <p>Land-banking issues may be problematic if insufficient land is brought into the residential zones.</p>	Local authority	Not by itself.	Not without intentional design.
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Planning Policy Relaxation	<p>Increase density allowances within existing residential zones</p>	<p>Provides greater urban capacity relatively quickly. Potential for a significant increase in urban capacity. Will support the construction of new housing. Will support the replacement of old, poor-quality housing stock. Much of the new housing will likely need to be more compact to fit within existing built environments, which will provide housing that is more consistent with the City's needs. Generally compatible with existing legislation and some policy (but not all policy).</p>	<p>Unlikely to provide land for affordable housing, unless combined with new inclusionary zoning rules. May not capture 'value uplift' of land effectively. May encounter issues with infrastructure capacities in some locations.</p>	Local authority	Not by itself.	Not without intentional design.
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Planning Process Relaxation	Streamlining planning processes	<p>Will enable reconsideration of marginally-feasible land developments by the private sector and not-for-profit organisations.</p> <p>Will provide greater speed and certainty to people and organisations wishing to produce affordable land.</p>	Potentially some cost in increasing local authority staff.	Local authority	Will support new affordable land projects.	No
	Reduce public participation opportunities	<p>Will remove uncertainty from certain consent processes.</p> <p>More projects will be able to gain consent with assured outcomes.</p> <p>In certain circumstances this will remove cost and time implications resulting from disingenuous objections.</p>	<p>Communities may object to having their participation rights restricted.</p> <p>Potentially subject to legal challenge.</p>	Local authority	Will support new affordable land projects.	No

Shared-Equity Schemes	Shared-equity ownership	Enables security of tenure and reduced purchase cost by recipient. Can include an option for the recipient to purchase full ownership at a future date. Provides the ability for the affordable value of the scheme to be recycled between recipients.	Incurs running costs and staff input to administer the shared-equity scheme.	Housing trust, not-for-profit agency, local authority, national government, and/or private sector organisation.	Will support new affordable land projects.	Yes
	Progressive ownership (rent-to-own)	Enables security of tenure and deferred purchase cost. Can provides the ability for the affordable value of the scheme to be recycled between recipients.	Incurs running costs and staff input to administer the shared-equity scheme.	Housing trust, not-for-profit agency, local authority, national government, and/or private sector organisation.	Will support new affordable land projects.	Yes

Shared-Equity Schemes	Land leasing	<p>Enables security of tenure and reduced purchase cost by recipient.</p> <p>Can include an option for the recipient to purchase land ownership at a future date.</p> <p>Provides the ability for the affordable value of the scheme to be recycled between recipients.</p> <p>Evidence of successful operation within Queenstown-Lakes District.</p>	Incurs running costs and staff input to administer the shared-equity scheme.	Housing trust, not-for-profit agency, local authority, national government, and/or private sector organisation.	Will support new affordable land projects.	Yes
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Shared-Equity Schemes	Sale restrictions	<p>Enables security of tenure and reduced purchase cost by recipient (subject to covenant restrictions on future sale).</p> <p>Provides the ability for the affordable value of the scheme to be recycled between recipients.</p>	<p>Incurs some running costs and staff input to administer the shared-equity scheme (but likely less than other shared-equity schemes).</p> <p>Covenant restrictions will constrain the value at which the property can be sold in future, thereby limiting the potential capital gains that might otherwise be achieved by the recipient.</p> <p>Limited oversight by the partner organisation may mean that the property (and therefore the value of the affordable housing resource) is not maintained as well as other shared-equity schemes.</p>	Housing trust, not-for-profit agency, local authority, national government, and/or private sector organisation.	Will support new affordable land projects.	Yes
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Development Subsidies	Tax incentives	<p>Incentivises desirable forms of development.</p> <p>Essentially provides a financial subsidy to the development organisation.</p>	<p>Financial benefit only occurs after development is complete.</p> <p>The incentive is provided by central government and represents a loss in what would have otherwise been tax revenue.</p> <p>May be difficult and complex to claim.</p> <p>Vulnerable to changes in government and national fiscal policy.</p>	National government	May support new affordable land projects, depending of subsidy structure.	Not without intentional design.
	Reducing or waiving local authority charges	<p>Incentivises desirable forms of development.</p> <p>Essentially provides a financial subsidy to the development organisation.</p> <p>Will enable reconsideration of marginally-feasible land developments by the private sector and not-for-profit organisations.</p> <p>Relatively easy to apply.</p>	<p>The incentive is provided by the local authority and represents a loss in what would have otherwise been income for staff salaries and/or infrastructure improvement.</p> <p>The scale of the potential cost savings may be relatively modest.</p>	Local Authority	May support new affordable land projects, depending of subsidy structure.	Not without intentional design.

Recipient Subsidies	Discount purchase	Reduces the cost for an eligible recipient to purchase an affordable house. Simple to apply.	The subsidy payments will need to be allocated from a fund that would otherwise serve a different purpose, most likely for another community good. Usually a one-off discount without the ability for the affordable value to be passed on to subsequent recipients.	Housing trust, not-for-profit agency, local authority, national government, and/or private sector organisation.	Not directly.	Only if constraints are placed on future sales.
	Home purchase assistance	Can provide support for mortgage lending by enabling easier access to deposit finance. Can avoid significant funding expense if the government acts as underwriter for lending, rather than as a direct funder.	May require funding from sources that could be used for other public good. Vulnerable to changes in government and national fiscal policy.	National government	No	No
	Accommodation supplements	Will improve housing affordability for eligible households by providing a regular supplement subsidy (often paid weekly).	Generally, this is a fairly modest subsidy. Vulnerable to changes in government and national fiscal policy.	National government	No	No

Housing Support	Funding for infrastructure development	<p>Provides funding for new infrastructure that will enable urban development to occur within regions that would otherwise be subject to access, servicing and/or drainage constraints.</p> <p>Compatible with the objectives of the Housing Infrastructure Fund, administered through the government's Ministry of Housing and Urban Development.</p>	<p>Will need to be funded from public sources, which might otherwise be used for a different community purpose.</p> <p>Vulnerable to changes in the providers fiscal policy.</p>	National government, and/or local authority	Is able to support new affordable land projects.	No
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3 METHODOLOGY

The methods used to investigate the feasibility of an affordable land policy for private development in Dunedin have been chosen for their ability to advance the three research objectives, these being:

1. To explore the issues related to affordable housing and affordable land, and to understand what options are available to address these issues.
2. To understand how policy can be designed to enable mobilisation of affordable land as a component of private land development.
3. To describe what is 'affordable land' (as a component of 'affordable housing') in the context of Dunedin City, and to understand which aspects of, and to what degree, an affordable land policy might be supported by local stakeholders.

A number of research methods have been chosen, including both primary and secondary techniques. The primary methods used in the field comprise semi-structured interviews and site observations. These have then been supplemented by the secondary methods, involving a review of relevant literature, legislation and policy, and a case study into a region of New Zealand that has already implemented an affordable land policy (all contained in section 2 above), as well an examination of current housing stress and future housing needs in Dunedin City (section 4). Together, these methods have provided both qualitative and quantitative information to provide a mixed-method approach, which is considered a strong means of research, combining both tangible and intangible ideas (Amaratunga et al., 2002). The information yielded by the research methods employed has provided a comprehensive and contemporary understanding of affordable housing and affordable land issues in the context of Dunedin City, and whether an affordable land policy is able to present an opportunity for the City to respond to these issues. This chapter explains the purpose behind the methods employed, the limitations of the study, and the ethical procedures adhered to while conducting this research.

It is important for this research to keep in mind its critical focus on affordable land. However, affordable land is only of value to a community if it is able to contribute to affordable housing, and accordingly it is necessary for this study to understand and discuss the broader concept of affordable housing in addition to the affordable land focus. In doing this, the study will be able to provide a thorough response to the original research

question of how Dunedin City might enable the mobilisation of land for affordable housing as a component of private land development.

The sections below describe the primary and secondary research methods and the intended research outcomes.

3.1 PRIMARY RESEARCH

Primary research includes semi-structured interviews and site observations. The methods used to undertake these elements of the research are discussed below.

3.1.1 SEMI-STRUCTURED INTERVIEWS

Thirteen key informant interviews have been undertaken with people from a diverse range of backgrounds, each able to contribute a valuable perspective in respect of affordable housing and affordable land issues within Dunedin City. These key informants include four local authority planners, five people who work in support of not-for-profit housing providers, and four people who work with private development companies. For the purposes of this study, these key informants have been allocated the codes P1-P4, H1-H5 and D1-D4 respectively. A summary of the key informants is provided in Table 7 below.

Table 7: Interview informants.

Participant Group	Informant Code	Relationship to Affordable Land Issues
Local authority planners	P1	Local authority planner, based in Queenstown-Lakes District.
	P2	Local authority planner, based in Queenstown-Lakes District.
	P3	Local authority planner, based in Dunedin City.
	P4	Local authority planner, based in Dunedin City.
Not-for-profit housing providers	H1	Representative of a local-scale housing provider, based in Queenstown-Lakes District.
	H2	Representative of a national-scale housing provider, based in an Otago-wide service capacity.
	H3	Representative of a local-scale housing provider, based in Dunedin City.

	H4	Representative of a local-scale housing provider, based in Dunedin City.
	H5	Representative of a national-scale housing provider, based in a national service capacity.
Private developers	D1	Representative of a private land development company, operating within Queenstown-Lakes District and Dunedin City.
	D2	Representative of a private land and housing development company, operating mainly in Dunedin City.
	D3	Consultant to the private development sector, based in Dunedin City.
	D4	Representative of a private land and housing development company, based in Dunedin City.

The privacy and welfare of the interviewees is considered to be paramount, and it has been important that informants have been made aware of how the information that they have provided has been utilised (Roberts, Smith and Pollock, 2004). To do this, informants have been required to sign consent forms at the beginning of each interview, and information sheets have been provided to each participant to explain their rights and the purpose of the study. A copy of the information sheet is provided in Appendix A. The anonymity of all informants has been respected in this research. To ensure that contributions from informants have been duly acknowledged, each informant has been assigned a code (Roberts, Smith and Pollock, 2004), as described in Table 7 above.

A semi-structured interview approach has been used, whereby pre-formulated questions have been used to frame an outline structure for the interview processes. A copy of the interview question master set is provided in Appendix B. The questions and topics used in each interview have been drawn from the master set, and compiled in a manner designed to suit each particular participant being interviewed. This interview design has ensured that the responses provided by the informants are useful to the project, and it has allowed flexibility for each interview to follow new lines of investigation depending on the information revealed (Entrikin & Tepple, 2006). As Entrikin and Tepple (2006) explain, this type of approach allows for unanticipated issues to be raised and discussed within the interview. Each interview has been conducted by the author of this study. After each interview, recordings have been transcribed and coded into key themes so as to

enable an effective and systematic analysis to be undertaken when evaluating the results (Campbell et al., 2013).

3.1.2 SITE OBSERVATIONS

As part of the case study review into how effectively the existing affordable land policy has been operating in the Queenstown-Lakes District, a number of site observations have been undertaken to gain an appreciation of the implementation outcomes of the policy. These observations have been of benefit in providing a real-life setting, which has usefully supplemented the information collected from key informant interviews and from secondary research sources. However, as the site observations were carried out in July 2019 so they may not demonstrate the outcomes of the affordable land policy as these might appear during different times of the year.

3.2 SECONDARY RESEARCH

Secondary research includes the information contained in section 2 above, as well as an examination of current housing stress and future housing needs in Dunedin City (section 4). The methods used to undertake this secondary research are discussed below.

3.2.1 UNDERSTANDING THE RESEARCH CONTEXT

A review of relevant literature, legislation, and national, regional and local policy, has been completed earlier in the study, under section 2. Similarly, a review of the affordable housing and affordable land setting in the Queenstown-Lakes District, as a case study region, has similarly been completed. The results of these reviews are a fundamental component of the research, allowing both insight to the existing body of knowledge around affordable housing and affordable land issues, and providing a foundation that will enable structured evaluation of the results of the other research methods.

3.2.2 ANALYSIS OF DEMOGRAPHIC INFORMATION

An analysis of housing costs, household income levels and recent trends has been undertaken as a means of evaluating housing affordability within Dunedin City. To do this, data sourced from Statistics New Zealand (SNZ) and the Real Estate Institute of New Zealand (REINZ) has been analysed by way of the key affordability measurement methods discussed in the literature reviewed in subsection 2.1. The evaluation of demographic

information has contributed to the understanding of the extent of housing affordability issues within Dunedin City, and has proved useful during consideration of the possible structure of an affordable land policy.

Data from SNZ has been obtained to provide information on household incomes within Dunedin City. This data is based on the 2013 New Zealand census, and will need to have an inflation factor applied in order to more accurately understand present-day income values. This inflation factor will be evaluated in a number of different ways to demonstrate the band within which the true household income values are expected to reside.

Data from REINZ has been obtained to provide information on current house purchase prices within Dunedin City. This information will allow a comparison to historical purchase price data that has been published, and it will enable an analysis of current price-to-income ratios as a measure of housing affordability. These new ratios will be compared to historically published ratios to understand if there is a trend occurring in this measure.

Price-to-income ratios will be determined from the above sets of data for different income quintile bands. This analysis will be useful in determining whether housing affordability levels are consistent across the full spectrum of the community, or whether households that occupy different income bands are subjected to different levels of housing affordability (relative to other household income bands). The results of this analysis may have a bearing on how Dunedin City might choose to respond to affordable housing issues.

The analysis of demographic information will also extend into consideration of the rental market, although not as deeply as the analysis which will be undertaken using house purchase information. Accurate rental cost data has not been obtained by this study, so a reliance has instead been made on adopting representative cost parameters (for mortgage, rates, insurance, etc.) and applying a nominal rate of investment return, in order to convert a house purchase price into an expected weekly rental rate. The results of this rental analysis will inform the study as to the state of housing affordability within the Dunedin City rental market.

3.2.3 STUDY INTO FUTURE HOUSING NEEDS

Secondary research will also consider the future housing needs of Dunedin City. This will review the ability for the present capacity of the City's urban resource to accommodate residential growth at anticipated projections. Beyond this, the review of future housing needs will contemplate factors that might lead to an increase in housing demand, and factors that might act to reduce housing demand.

The purpose of the study into future housing needs is to better understand whether the present state of housing market in Dunedin City is likely to move towards a more affordable or less affordable position over the foreseeable future. The answer to this question will naturally influence the extent to which the local community might wish to consider some form of intervention in this space, potentially including the implementation of a policy response designed to enable the mobilisation of land for affordable housing purposes.

3.3 RESEARCH OUTCOMES

The intent of this research is to broaden the body of knowledge that exists in respect of affordable housing issues within the Dunedin City region, and to identify potential options, where these are relevant, for a policy response that promotes the mobilisation of land for affordable housing purposes from private development projects. Ultimately, it is hoped that this research will provide useful guidance to Dunedin City Council in the event that specialised intervention into the housing market is deemed to necessary in order to increase the City's affordable housing resource.

The following chapter of this research looks specifically at the Dunedin City setting in respect of affordable housing and affordable land, and considers how this landscape might be expected to develop over the foreseeable years ahead.

4 UNDERSTANDING THE DUNEDIN CITY SETTING

This chapter provides context to the study by describing relevant information on Dunedin City, and the matters pertinent to the City's affordable housing landscape. Geographical context is shown in Figure 7 below, which depicts the province of Otago (outlined in red). Dunedin City is situated on the eastern coastline of Otago, while the Queenstown-Lakes District occupies the inland, western region of the province.



Figure 7: Otago and its constituent regions.

The research sections contained in this chapter aim to describe the context of Dunedin City, to provide an analysis using current demographic information of the present state of affordable housing, and considers what the future housing needs of the City are likely to mean in respect of affordable housing and affordable land.

Following this chapter, chapter 5 will describe the primary research findings.

4.1 DUNEDIN CITY CONTEXT

Dunedin City is located on the eastern boundary of the Otago province (refer Figure 8). The region enjoys sections of open coastline and a sheltered harbour, which is separated from the Pacific Ocean by the Otago Peninsula (refer Figure 8).

Dunedin is the largest urban centre of Otago, both in terms of land area and population size. The City has a land area of approximately 3,300km² (Dunedin City Council, 2019). Of this total area, the urban region of Dunedin City comprises approximately 255km² (Centre for Disaster Resilience, Recovery and Reconstruction, 2017).

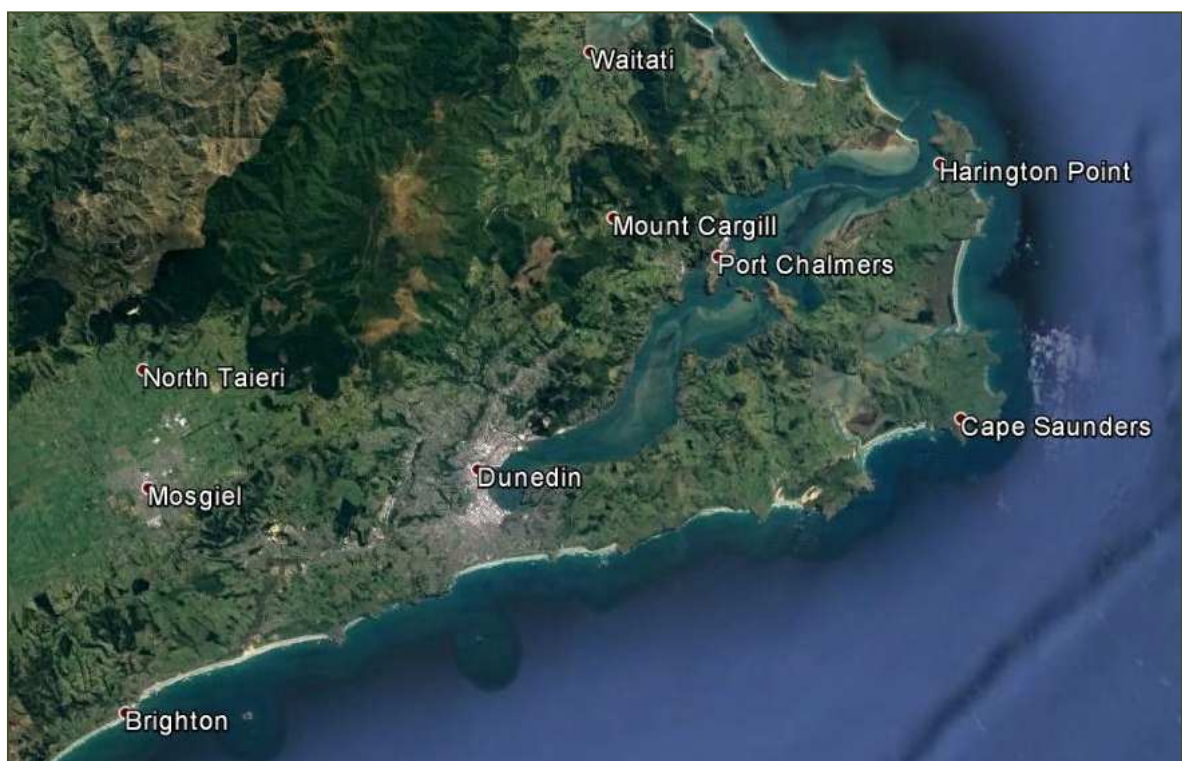


Figure 8: Dunedin City and surrounding area.

The central and southern portions of the inner City are generally flat and low-lying, and much of this land has been subject to both natural accretion and artificial reclamation processes. The low-lying central part of the City is protected from encroachment by the Pacific Ocean through an established dune embankment structure. The western and northern sides of the City are characterised by a ring of hills suburbs, beyond which are located several satellite urban areas and townships, including Mosgiel, Port Chalmers, Waitati, Brighton and others.

Dunedin had a population of 130,700 as at June 2018 (Morris, 2018). Dunedin City has an aging population, with the number of residents aged over 65 expected to grow from by 72.2% over the period between 2006 and 2031, compared to a growth expectation of 5.5% across all age groups for the same period.¹²

The City also has a large non-permanent student population due to the presence of the University of Otago. The university provides a significant level of employment within the City, as does the Dunedin Hospital, which is the principal medical facility for the lower part of New Zealand's South Island. The character of Dunedin City is influenced as a result of the presence of the University of Otago and the Dunedin Hospital, demonstrated by a greater proportion of jobs in the education and healthcare disciplines (relative to the national average), a higher level of unemployment and lower median income (both as a result of the relatively high share of aged and student residents), and a higher proportion of people with tertiary qualifications.

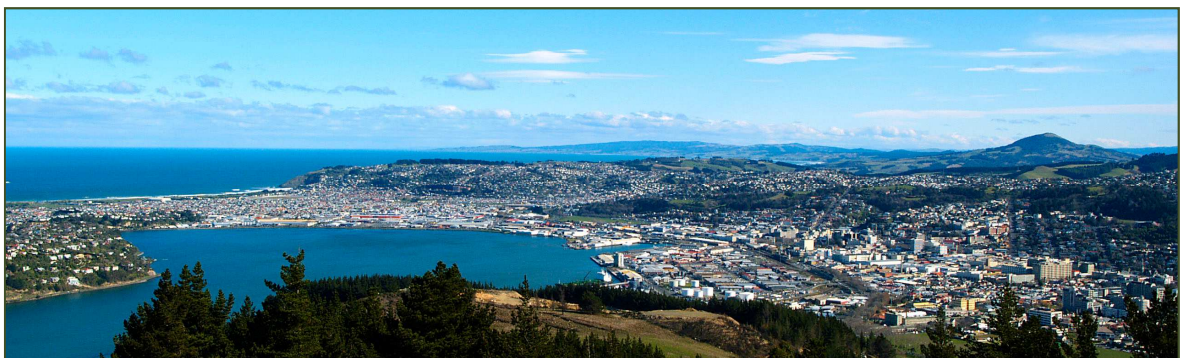


Figure 9: Dunedin City looking southwest over the head of the Otago Harbour.

¹² As described in the Dunedin City Council Social Housing Strategy.

Early occupation of the Dunedin City region occurred by local Maori around 1200-1300. These people established a number of permanent settlements, or pa, including the Otepoti settlement located at what is now central Dunedin, which was occupied until approximately 1800. The first European settlers began to arrive around 1810 in the form of sealers, however it was not until around 1831 that the first permanent European permanent settlement occurred when a whaling station was established on the Otago Peninsula (Hamel, 2001).

In 1861 the discovery of gold in Central Otago initiated the Otago Gold Rush. This brought a large number of immigrants to the region from various parts of the world. Dunedin underwent a dramatic industrialisation period through to around 1880, during which time many of the most significant features of the City were built, such as the railway network and a number of educational facilities.

From the 1900's onwards, Dunedin's popularity declined and the scale of its industry reduced. However, efforts by the University of Otago to establish itself as one of the country's leading academic institutions proved fruitful and Dunedin City was able to reinvent itself as an important centre for education. Alongside this, the City has over recent years embraced its Victorian heritage, and a number of older buildings and features have been protected and restored in support of this.

In more modern times, the City has developed a business environment that caters for niche industries, including small engineering, IT and fashion businesses, as well as a range of tourism and conservation activities.

4.2 ANALYSIS OF DEMOGRAPHIC INFORMATION

This section of the study utilises current statistical information for Dunedin City to analyse the extent of housing stress which presently exists. Evaluation has been primarily undertaken using the house purchase price to household income method, as used by the Demographia survey. This method has been selected for several reasons; first, current house purchase price data and relatively recent household income data sets are readily available; second, the price-to-income ratio is easily understood and can be compared to similar analyses elsewhere; and third, the results of this analysis can be correlated against the recent (and historical) Demographia survey findings, thereby allowing a degree of

verification of the data, as well as the ability to observe changes and/or trends in the housing affordability environment over time.

The method used by the Demographia survey applies the median house purchase price to the median household income across a particular sample region. In the Demographia (2019) survey, Dunedin City was found to have a median house purchase price of \$412,000 and a median household income of \$67,100 (annual pre-tax income), which resulted in a survey affordability rating of 6.1 (falling into the 'severely unaffordable' category). The Demographia (2019) survey sources its house purchase price data from the Real Estate Institute of New Zealand (using data for the 3rd quarter of 2018) and its household income data from the 2013 census records with an inflationary factor applied to recognise income growth over the intervening period (approximately 25%, which Demographia (2019) has adopted from Statistics New Zealand information).

In the information contained below, the study determines the ratio of median house purchase price (using purchase price data up to June 2019) to median household income (using extrapolated census data) for Dunedin City. To further evaluate housing affordability, this study separates both sets of data into five quintile blocks based on their values (price and income respectively), and then these data subsets are used to determine median house purchase price to median household income ratios for each of the five household income quintile bands. This analysis is intended to identify whether there are different levels of housing stress occurring at different household income levels. This statistical approach essentially proportionally aligns the spread of house purchase price data against the spread of housing income data, so that each household (ranked by household income value) can be cross-referenced to a corresponding house value (ranked by purchase price). The results of this analysis may provide further insight into sub-catchments of housing stress, and may provide helpful base information for further research to be considered.

Actual rental cost data for Dunedin City is not readily available, and as such an assessment of house rental cost to household income has been undertaken in this study by way of a relatively theoretical format only. An improved understanding of affordable housing issues may be achieved by further research into this area.

4.2.1 HOUSE PURCHASE PRICE

To assess house purchase price information, house sales data has been obtained for all residential house sales over the three-year period between June 2016 and June 2019. This data was sourced from records maintained by the Real Estate Institute of New Zealand, and comprises a total of 9,038 house sales entries (representing around 20% of the total number of houses in the City).

The median house purchase price, across the full set of sales data and over the full three-year period is \$378,400. Splitting the data into its one-yearly blocks, the median values have been determined as shown in Table 8 below.

Table 8: Median house purchase prices in Dunedin City.

Data Period	Number of Sales	Median Purchase Price
June 2016 to June 2017	3,132	\$331,875
June 2017 to June 2018	2,964	\$375,000
June 2018 to June 2019	2,942	\$425,000

Interestingly, the information in the above table shows a relatively high growth trend in the median purchase price between the years assessed. The change in this value from the 2016/2017 period to the 2017/2018 period is +13.0%, while the change from the 2017/2018 period to the 2018/2019 period is +13.3%.

Inspecting the 2018/2019 data set, it is possible to rank the 2,942 individual sales entries by sales value, and then split the information into five quintile blocks. Each block then represents a 20% spread of the data, with the first block containing the data with the lowest sales values, the second block containing a set of higher sales values, and so forth until the fifth block contains the data with the highest sales values. From these blocks, each of which contain a 20% spread of the most recent sales data, it is possible to determine median purchase price values for the different data quintiles (labelled as Bands 1 to 5). These values have been determined as shown in Table 9 below.

Table 9: Purchase price medians at different data bands.

Data Band	Purchase Price Median (2018/2019 data)
1 (0%-20% quintile)	\$270,000
2 (20%-40% quintile)	\$359,500
3 (40%-60% quintile)	\$425,000
4 (60%-80% quintile)	\$520,500
5 (80%-100% quintile)	\$725,000

The information in the above table will be evaluated in the next subsection in conjunction with the household income data, which will be split into the same quintile band arrangement.

4.2.2 HOUSEHOLD INCOME

Current values for household incomes across Dunedin City are not as easily available as the purchase price information, and as such it is necessary to extrapolate values from the 2013 census information using an appropriate (or in this case several appropriate) growth factors.

To start with, a grouped dataset of household incomes from the 2013 census has been obtained from Statistics New Zealand. This information contains household income data for 39,908 occupied households. The dataset separates these household entries into various different household income brackets. These brackets start at \$0-\$5000 and progress in \$5,000 intervals to the \$35,001-\$40,000 bracket, then in \$10,000 intervals to the \$60,001-\$70,000 bracket, followed by brackets for \$70,001-\$100,000 incomes, \$100,001-\$150,000 incomes, and a final bracket for household incomes above \$150,000.

To analyse this household income data, it is necessary to translate these brackets of income into 39,908 individual incomes. This has been done by assuming a midpoint income level within each of the bracket ranges and attributing each of the households that fall into a particular income bracket with the midpoint income value. For example, there are 2,448 households that are captured by the \$25,001-\$30,000 income bracket; each of these households has been given an individual household income value of \$27,500. In this

way, the data can be evaluated in respect of 39,908 individual households (which is necessary in order to group the data into the five 20% data bands).

Using the complete set of 39,908 data entries for household incomes in Dunedin, the overall median household income has been determined to be \$55,000. This correlates closely with information published by other organisations using the Statistics New Zealand data, such as the Real Estate Institute of New Zealand which adopts a figure of \$54,400 as the median household income across the City (Real Estate Institute of New Zealand, n.d.).

Having converted the raw data into 39,908 individual household income values, it is possible to rank these by value (lowest to highest), and then split the information into five quintile blocks. Each block thereby represents a 20% spread of the data, with the first block containing the data with the lowest household income values, the second block containing a set of higher household income values, and so forth until the fifth block contains the data with the highest household income values. From these blocks, it is possible to determine median values for the different data spreads (shown as bands 1 to 5 in the same way as the purchase price data). These values have been determined as shown in Table 10 below.

Table 10: Household income medians at the different data bands.

Data Band	Household Income Median (2013 census data)
1 (0%-20% quintile)	\$17,500
2 (20%-40% quintile)	\$32,500
3 (40%-60% quintile)	\$55,000
4 (60%-80% quintile)	\$85,000
5 (80%-100% quintile)	\$125,000

The above table shows the median household income values for the different 20% data bands as at the 2013 census. To achieve data that can be usefully compared to the current purchase price data, the household income information needs to be extrapolated to the present day values. This involves determining a growth factor (or several growth factors) for the household incomes values contained in the data. The first of these might sensibly be based on the 25% factor used by the Demographia (2019) survey, but updated slightly

to allow for the time difference between the date of the data used by Demographia (2019) and the present day. The Demographia (2019) factor was spread over 67 months (from the 2013 census collection date at the start of March 2013 to the Demographia data collection date at the end of September 2018). This represents a monthly growth rate of 0.373%. Applying this monthly rate across the period of time between the 2013 census collection date at the start of March 2013 and the end of June 2019 (coincident with the most recent purchase price data used in the subsection above), being a period of 76 months, a 28.35% growth factor can be determined.

There are several other ways that an appropriate growth factor might be ascertained. These include using the Reserve Bank online inflation calculator, the household income annual changes data published by the Ministry of Business Innovation and Employment (MBIE), and inspecting the changes to welfare and accommodation supplement payments over the subject period (as published on the Work and Income website).

The Reserve Bank online inflation calculator, with the 'wages' category selected and the period of inflation is set to be calculated between the 2nd quarter of 2013 and the 2nd quarter of 2019 advises that a 18.93% change in value has occurred (Inflation Calculator, 2019).

The MBIE information shows a median household income for Dunedin City of \$65,800 in June 2013, rising to \$86,300 in June 2018 (Median household income in New Zealand, 2019). This represents an increase of \$20,500 over this five-year period, being a percentage rise of 31.16% (an average annual rise of 6.23%). Extrapolating this to include the period between June 2018 and June 2019, it is possible to determine a household growth factor of 37.39% between June 2013 and June 2019. Note, the MBIE information is based on income from employment and excludes income from welfare and subsidy programmes, which means that the raw MBIE information cannot easily be used as a measure of median household income across the City. Furthermore, it also means that the growth factor determined using this data may not accurately represent the growth that has occurred to the full spectrum of household incomes.

The last method that might be employed to determine an appropriate growth factor is the consideration of changes to welfare and accommodation supplement payments over the subject period. This is not an easy assessment to make as there are a broad variety of

welfare and accommodation supplement packages available from Work and Income. For the purpose of this assessment three scenarios have been selected, from which an average growth factor has been calculated. The data used in each scenario has been sourced from the Work and Income website (Benefit rates April 2013, 2019), comparing the April 2013 benefit data with the April 2019 benefit data. Table 11 describes the scenarios considered and the resulting values.

Table 11: Calculation of Work and Income inflation values.

Scenario	2013 Benefit Value	2019 Benefit Value	Percentage Increase
Unemployment Benefit (called Jobseeker Benefit in 2019), with 1 child, married, gross weekly rate, with mortgage supplement.	\$515.00	\$587.88	14.15%
Young Parent Payment, sole parent, gross weekly rate, with rent supplement.	\$432.18	\$501.90	16.13%
NZ Superannuation, standard rate, single, living alone, gross weekly rate.	\$410.32	\$475.42	15.87%

The average of the above scenarios shows a percentage increase of 15.38% in the benefit payment value data between April 2013 and April 2019. Note, because the Work and Income information is based solely on income from benefit and accommodation supplement payments the growth factor determined using this data may not accurately represent the growth that has occurred to the full spectrum of household incomes.

These assessments of household income growth result in four potentially appropriate factors, as summarised in Table 12 below:

Table 12: Household income growth factors.

Data Source	Data Region	Growth Factor
Demographia survey (growth factor adopted from Statistics New Zealand information and extrapolated forward).	Dunedin City	28.35%
Reserve Bank (wages inflation).	National	18.93%

MBIE Employment Income Growth.	Dunedin City	37.39%
Work and Income welfare and accommodation supplement records.	National	15.38%

This information is interesting in itself, suggesting that while household incomes have been increasing across the board between 2013 and the present day, the rate of increase is greater for households with income from employment and smaller for households that rely on welfare and accommodation supplement payments. Due to the moderate variation between the assessed growth factors, it is sensible to test a range of growth factor increases in order to extrapolate the 2013 census household income data to June 2019. The growth factors selected for use in this analysis are 15%, 25% and 35%, being generally representative of the range of values determined from the different data sources. Using these growth factors, the following household income values have been determined and are shown in Table 13 below:

Table 13: Household income values extrapolated to 2019.

Data Band	Household Income Median (2013 census data)	Growth Factor	Extrapolated Household Income Median (2019)
All Data in Sample	\$55,000	15%	\$63,250
		25%	\$68,750
		35%	\$74,250
1 (0%-20% quintile)	\$17,500	15%	\$20,125
		25%	\$21,875
		35%	\$23,625
2 (20%-40% quintile)	\$32,500	15%	\$37,375
		25%	\$40,625
		35%	\$43,875
3 (40%-60% quintile)	\$55,000	15%	\$63,250
		25%	\$68,750
		35%	\$74,250

4 (60%-80% quintile)	\$85,000	15%	\$97,750
		25%	\$106,250
		35%	\$114,750
5 (80%-100% quintile)	\$125,000	15%	\$143,750
		25%	\$156,250
		35%	\$168,750

In the next subsection, the household income data shown in the above table is evaluated alongside the house purchase price data previously assessed, with both sets of data split into the five-band quintile arrangement.

4.2.3 HOUSING AFFORDABILITY IN DUNEDIN CITY

The Demographia (2019) survey, which uses data up to September 2018, found that Dunedin City has a house purchase price to household income ratio of 6.1, placing the region in the 'severely unaffordable' category. The rating categories used by the Demographia survey are: ratios under 3.0 are classed as 'affordable', ratios between of 3.1 and 4.0 are classed as 'moderately unaffordable', ratios between 4.1 to 5.0 are classed as 'seriously unaffordable', and rates of 5.1 and over are classed as 'severely unaffordable'.

Using the same method employed by Demographia, but applying the present day data as compiled in the previous subsections (including the variable income growth factors), it is possible to determine new house purchase price to household income ratios. Starting with the median of all data in both data sets, Table 14 below shows the resulting ratios:

Table 14: Median multiple values for Dunedin City using different growth factors.

Median Purchase Price (full data range, 2018/2019 period).	Median Household Income with Growth Factor (GF) applied (full data range).	House Purchase Price to Household Income Ratio
\$425,000	15% GF; \$63,250	6.7
	25% GF; \$68,750	6.2
	35% GF; \$74,250	5.7

Table 14 shows a slight worsening of the affordability rating for Dunedin City when compared to the Demographia (2019) survey findings (6.1 in Demographia, and 6.2 in the

above results). This suggests that house values have been increasing at a faster rate than household incomes in the time since the Demographia (2019) survey data was collected. The assessment results of the lower and higher growth rate income values provide some context to the ratio findings. Both of these growth rates are influenced by targeted income data (the lower rate sourced from welfare data, and the higher rate source from employment data), and therefore it might be expected that the true measure of income growth will lie somewhere between these growth factors. Even using the low growth factor, the result remains within the 'severely unaffordable' category.

For Dunedin City to improve its housing affordability to an 'affordable' rating of 3.0, a quick calculation shows that either the median house price would need to reduce from \$425,000 to a more modest figure of \$206,250 (assuming that the 25% growth median income value of \$68,750 remains constant), a reduction of some 51%, or alternatively the median household income would need to increase from \$68,750 to \$141,667, a multiple of 2.1 times. Obviously, a combination of these adjustments could also achieve an 'affordable' rating. However, regardless of how this adjustment was realised, a recalibration of house or income values to this extent would likely occur hand-in-hand with a number of significant impacts to the City's economic and social fabric.

Next, considering the data in the sections above for the five 20% quintile bands, it is possible to determine house purchase price to household income ratios in respect of the five household income bands. Table 15 below shows the outcome of this assessment:

Table 15: Median multiple values for the different income bands.

Purchase Price Median of data band (2018/2019 period).	Household Income Median of data band, with Growth Factor applied.	House Purchase Price to Household Income Ratio
1 (0%-20%); \$270,000	1, 15% GF; \$20,125	13.4
	1, 25% GF; \$21,875	12.3
	1, 35% GF; \$23,625	11.4
2 (20%-40%); \$359,500	2, 15% GF; \$37,375	9.6
	2, 25% GF; \$40,625	8.8
	2, 35% GF; \$43,875	8.2

3 (40%-60%); \$425,000	3, 15% GF; \$63,250	6.7
	3, 25% GF; \$68,750	6.2
	3, 35% GF; \$74,250	5.7
4 (60%-80%); \$520,500	4, 15% GF; \$97,750	5.3
	4, 25% GF; \$106,250	4.9
	4, 35% GF; \$114,750	4.5
5 (80%-100%); \$725,000	5, 15% GF; \$143,750	5.0
	5, 25% GF; \$156,250	4.6
	5, 35% GF; \$168,750	4.3

The results provided in Table 15 show a very clear pattern of increasing housing affordability as household incomes rise through the assessed data spread bands. Houses are most affordable for households that reside in the higher two income bands, with all of the highest income band ratios and two of the three ratios for the 60%-80% income band falling into the 'seriously unaffordable' category (an improvement from the full data category of 'severely unaffordable').

For the lower household income bands, the rate of housing unaffordability appears to be very high. The lowest band shows a house purchase price to household income ratio range of between 11.4 and 13.4 for the various growth factors applied. The 20%-40% data spread band shows a range of between 8.2 and 9.6. These ratios are considerably higher than the full data median house purchase price to median household income ratio of 6.2, and suggests that the level of housing stress for households in the lower 40% spread of income data is much greater than the level of housing stress apparent over other income bands.

The chart shown in Figure 10 below illustrates the level of affordability of housing in Dunedin City, separated into the five data quintile bands used in the above assessment. The household income values shown as solid dots on the chart (lower panel) represent the income values with the 25% growth factor applied. The short horizontal bars that appear above and below these solid circles represent the income values with the 15% and 35% growth factors applied.

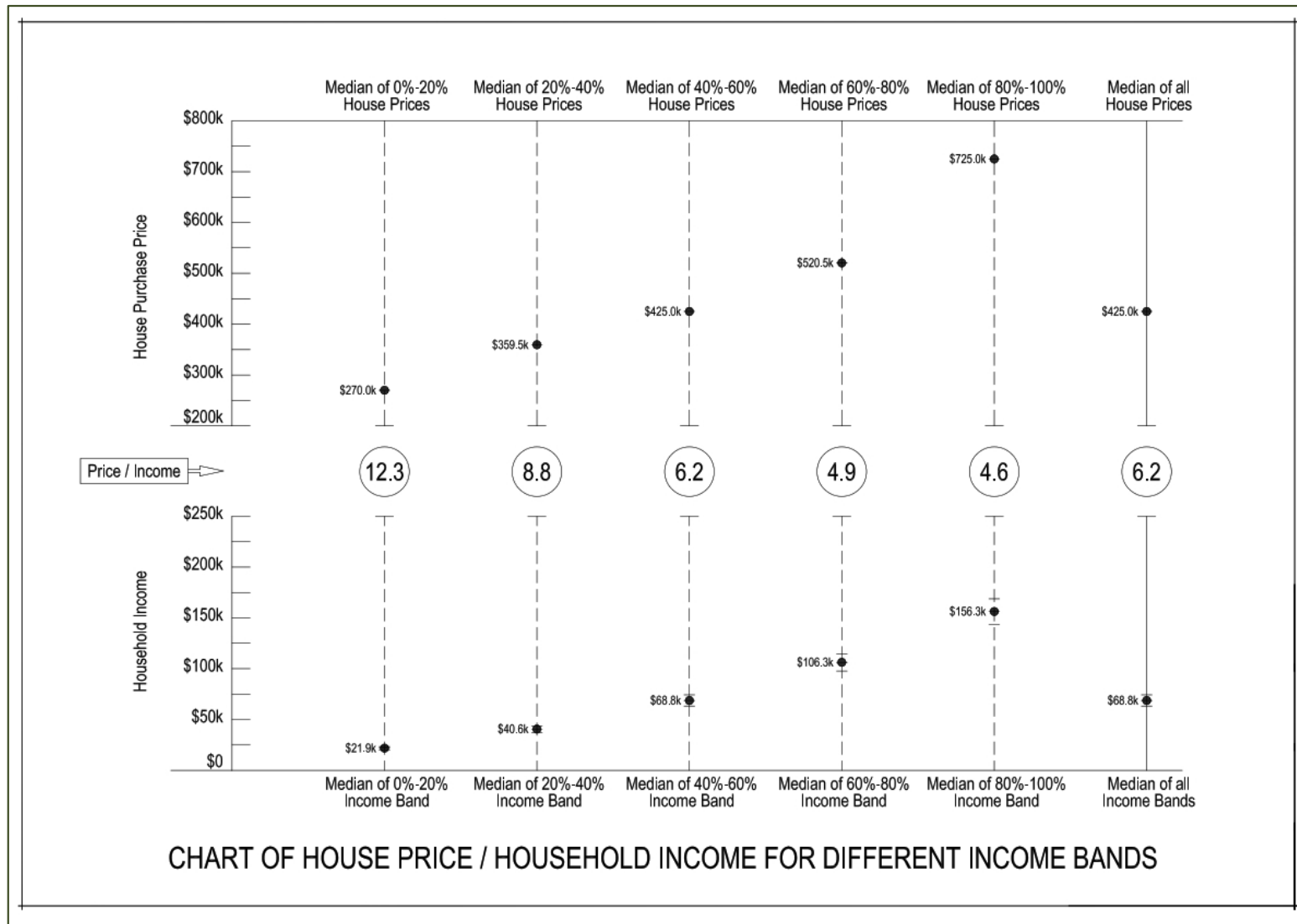


Figure 10: House purchase price to household income ratios for different income bands.

For Dunedin City to improve its housing affordability at the 0%-20% quintile band to an 'affordable' rating of 3.0, the house price median of this band would need to reduce from \$270,000 to a figure of \$65,625 (a reduction of some 76%), or alternatively the median household income would need to increase from \$21,875 to \$90,000 (a multiple of 4.1 times).

For Dunedin City to improve its housing affordability at the 20%-40% quintile band to achieve an 'affordable' category rating under the Demographia median multiple assessment method, the house price median of this band would need to reduce from \$359,500 to a figure of \$121,875 (a reduction of some 66%), or alternatively the median household income would need to increase from \$40,625 to \$119,833 (a multiple of 2.9 times).

At both the 0%-20% and 20%-40% quintile bands, it would appear that housing is well beyond the 'severely unaffordable' measure employed by Demographia, to the extent that it would take an extremely large market adjustment to recalibrate this (an adjustment of this size which would almost certainly create significant economic and social issues of its own). There is clearly a high level of housing stress at the lower household income bands, and any measures considered to address this will need to be carefully considered to ensure that meaningful outcomes can be achieved without introducing unintended issues elsewhere.

A second measure of housing affordability for a particular region, as discussed by Cooney (2009), is described as being an assessment of whether the housing costs of households in the lower 40% of the income distribution exceed 25% to 30% of their income. This approach is consistent with the assessment measures utilised in the recent report published by the Mayor's Task Force for Housing in Dunedin (Dunedin City Council, 2019). In order to apply this method to the purchase price and household income data determined above, it is necessary to include several additional qualifications. First, house purchase price must be converted to an ongoing cost value. To do this, a number of suppositions must be made in respect of mortgage elements; for this exercise the following mortgage elements have been assumed:

- An interest rate of 4.45% (being the 5-year fixed rate as advertised online by both Bank of New Zealand and Westpac Bank on 6th August 2019).

- A mortgage period of 30 years (the longest period generally available).
- A 20% deposit has been saved by the house purchaser.

Second, there are additional costs associated with home ownership in New Zealand, including rates (to both the local and regional authorities) and house replacement insurance. These values can be highly variable, depending on a range of factors, but for this exercise an annual figure of \$3,000 has been selected as a representative value for all housing costs other than the mortgage repayments.

Using an online mortgage calculator (Mortgage calculator, 2019), and adopting the mortgage elements described above, the following weekly repayment values can be determined for the two lower household income quintile bands (representing the lower 40% of the income distribution). The resulting weekly mortgage repayments are shown in Table 16 below.

Table 16: Mortgage costs for the lower income band median house purchase values.

Purchase Price Median of data band (2018/2019 period).	Mortgage value (after 20% deposit applied).	Weekly mortgage repayments, using an interest rate of 4.45% and a mortgage period of 30 years.
1 (0%-20%); \$270,000	\$216,000	\$251
2 (20%-40%); \$359,500	\$287,600	\$334

The \$3,000 per annum for other house-related costs translates of a value of \$58 per week, thus a household in the 0%-20% data band might be expected to have a total weekly housing cost of \$309 and a household in the 20%-40% data band might be expected to have a total weekly housing cost of \$392.

Household income from above (adopting the 25% growth factor), shows the 0%-20% data band at \$21,875 per annum and the 20%-40% data band at \$40,625 per annum. These incomes translate to weekly values of \$421 and \$781 respectively.

Comparing the housing cost data with the household income data, calculation shows the proportion of household income dedicated to housing costs for the 0%-20% data band is 73% (\$309 / \$421) and for the 20%-40% data band this is 50% (\$392 / \$781). Both of

these ratios are significantly higher than the 25%-30% ratio considered by the literature to be 'affordable'. For housing costs in these quintile bands to be considered affordable (i.e. at 30% of householding income), the median house price for the 0%-20% band would need to be around \$73,000, and for the 20%-40% band it would need to be \$190,000. (Note, the static \$58 per week for rates and insurance costs have a large influence on these calculations, as does the growth factor increase used to determine household income median).

Both of the assessments used in this section to evaluate housing affordability in Dunedin City show the study region to be significantly unaffordable when measured in terms of approaches that are recognised in the published literature. Furthermore, this assessment shows a variance in housing affordability between the different data bands, with housing being clearly less affordable for those households in the lower income bands (the lower 40% of the income distribution) than it is for those households in the higher income bands.

Finally, it is possible to consider the state of the rental market in Dunedin City through comparison of the household income median values for the two lower data bands with the anticipated weekly rental values (calculated from the purchase price median values for the subject data bands, with an appropriate rental yield factor applied). For this assessment an annual gross rental yield value of 4.32% has been selected. This is the same yield value used in the recent report by the Mayor's Task Force for Housing (Dunedin City Council, 2019), and is supported by the CoreLogic (2018) report, which indicates gross yields in the Dunedin City property market to be 4.3%.

The rental cost for a residential house that is purchased at the 0%-20% band purchase price median value of \$270,000, providing an annual gross yield of 4.32%, is \$224 per week. For a house that is purchased at the 20%-40% band purchase price median value of \$359,500, the rental cost is \$299 per week.

Comparing these rental costs to the household income median values for the respective bands, calculation shows the proportion of household income dedicated to rental costs for the 0%-20% data band is 53% ($\$224 / \421) and for the 20%-40% data band this is 38% ($\$299 / \781). Both of these ratios are higher than the 25%-30% ratio considered by literature to be 'affordable', but are noticeably more affordable than the house

purchase calculations made at the same band levels (73% and 50% respectively). This result is consistent with the perception that the rental market is a more attractive housing option for households in the lower income bands, when compared to the option of home ownership.

It needs to be noted that there are a number of limitations in the assessments made using the above demographical data, and these define the accuracy of the determinations reached. These limitations include:

- The relationship and integration of the property ownership market and the property rental market is not evaluated by this study. Each market has been essentially assessed as a separate and unrelated system. In a normally operating property market, it might be expected that the rental sector will serve to provide an attractive housing option for a range of households across the income spectrum, although it is also likely that this sector of housing will be employed to a greater extent by households within the lower income bands. An assessment model developed to measure housing affordability in a manner that takes into account how the ownership market and the rental market function as a single property market may produce useful, and potentially different, results.
- The figures used in this study to determine household income do not consider asset values of households. Where a household is income-poor but asset-rich, the assessment used to determine what is an affordable house for that household may need to be modified from the relatively simplistic purchase price to household income ratio used in the assessment above.
- The process used by this research to align the full data sets (purchase price and household income) into a format that allows isolation and assessment of each 20% data spread band has the potential to introduce a distortion in the evaluation. For the purposes of this study any distortion of this nature is expected to be relatively minor, however if further research was to be undertaken in this area there may be a need to consider a more refined method for calibrating the base demographic data.
- The household income data used by this study has been expanded from source data that has been grouped by income bands. Lower income bands are grouped into \$5,000 intervals, while higher income bands are grouped at larger intervals. Midpoint values of the bands have been used for each of the household entries that

fall into each band. A more refined set of household income median values could be calculated through the use of a full ungrouped data set, if such a data set could be obtained. However, use of a full ungrouped data set is not expected to change the results of this study in a meaningful way, particularly in respect of the median values calculated for the lower income bands, where the source data has been grouped into relatively concise income band intervals.

- The growth factors applied to extrapolate household income data from 2013 to present day offer another potential limitation due to the range of factor values available, and the time period across which this extrapolation has occurred. It may be interesting to review the 2018 census survey household income data that is expected to be published by Statistics New Zealand in late 2019.
- All of the assumed data items, including mortgage elements and the rental yield rate, have the potential to be inconsistent with actual data. For instance, reports tell us that a gross yield rate of around 4.3% for residential rental properties in Dunedin City is correct. This is likely to convert to a net yield rate of around 3.3% when rates and insurance costs are factored in. This would appear to be a relatively low investment return (compared to commercial investments which often return a yield of between 6% and 7%), and this figure may need to be tested in the event that further research is undertaken in this area.

Further research may be useful in addressing the above limitations, and this might be expected to produce more refined determinations in respect of the measure of housing affordability in Dunedin City.

4.3 STUDY INTO FUTURE HOUSING NEEDS

There are several current dynamics that are expected to contribute to future housing needs in Dunedin City. Some of these, such as the rebuild of the Dunedin Hospital, are likely to generate a greater demand for housing, while others, such as the implementation of the KiwiBuild programme, are intended to alleviate demand. It is important that decision-makers are provided with information that enables an understanding (as far as possible) of the nature of the housing market over the foreseeable future. Accurate predictions in this regard will support the development of a more efficient response to housing issues. The activities considered in this section include normal population growth, the hospital rebuild, the South Dunedin dynamic, and the KiwiBuild push. Also

considered in this section are the findings of the recently established Mayor's Task Force for Housing in Dunedin.

Following this section, section 4.4 will present a summary of the local context learnings, and section 4.5 will consider a number of broader learnings in respect of affordable housing and affordable land.

4.3.1 URBAN CAPACITY

The current state of Dunedin's housing market can be understood through a review of several recent studies that have been carried out in this domain. Foremost amongst these is the recent housing capacity assessment (HCA) report, undertaken by Stocker (2019) on behalf of Dunedin City Council. That report opens with a recognition that Dunedin's population has been recently growing at an average annual rate of 1.3%, and that house prices have increased by 13.6% over the report's preceding three years. The report notes that the City has been categorised as a medium-growth urban area in terms of the NPSUDC.¹³

The HCA report anticipates that the number of new dwellings required to meet demand in the City will be 1,300 over the 2018-2021 period, with a total of 6,200 over the period from 2018 to 2048. The current available residential capacity within the City has been assessed as being 2,200 houses. It is further evaluated that there are 404 houses within this current residential capacity that might be feasible to develop at a price point of less than \$400,000.

The housing capacity assessment report has considered the type of housing growth that Dunedin City is experiencing, and notes that:

Building consent data shows that the construction of new homes has historically kept up with growth in household numbers, but has fallen behind in recent years. It also shows a mismatch between the type of homes being built and Dunedin's changing housing preferences and demographics. Dunedin's growth is expected to almost entirely consist of single person households and couples without children, both of which are more likely to prefer to live in attached housing than other demographic groups. However, the average floor area of new homes is remaining steady at around 200m² and only 20-25% of new consented homes

¹³ Refer to subsection 2.3.1.1 for the definition of a medium-growth urban area (in terms of the National Policy Statement on Urban Development Capacity).

are for attached housing typologies. Further analysis is required to assess the causes behind this apparent inconsistency (p. 10).

This is an interesting finding, and is suggestive that those people developing houses are targeting a particular type of construction, presumably out of either personal choice (i.e. a home for themselves) or from an expectation that a stand-alone house with a medium-to-large floor area will present the most optimal financial return. Either way, this indicates that the drivers for the typology of greatest need (i.e. for smaller attached houses) do not fully line up with the observed market demand drivers.

An earlier study into housing choice in Dunedin, by Christofferson (2007) on behalf of the Dunedin City Council, offered the following conclusion:

It is noted that Dunedin's housing stock is relatively homogenous compared with other cities; 79.4 percent of permanent private occupied dwellings in the city being stand-alone houses. A major finding of this research was the overwhelming preference for a stand-alone dwelling. The majority of respondents from all demographic groups currently resided in this type of dwelling, and moreover, would choose to occupy this type of dwelling in the future if forced to move. This finding reinforces those of numerous previous housing studies, and suggests that housing preferences remain relatively stable despite demographic changes.

It would appear that the findings of the 2007 report are consistent with those of the more recent HCA report, in respect of the types of houses that are preferred by the majority of the City's residents. The 2007 report goes on to suggest that one in three new dwellings built in Dunedin should be medium density forms (again, this is generally consistent with the HCA report), and that significant construction of two-and three-bedroom dwellings will be needed to meet future demand. The HCA report recognises that the need for smaller houses contrasts with the trend in Dunedin towards continued construction of larger houses, and proposes that planning intervention may be required to reconcile housing supply and demand.

Data collected by the 2007 report from the Dunedin community has been used by that report to conclude a number of key findings, which include:

- Approximately one quarter of respondents¹⁴ compromised on dwelling condition and dwelling size. The main reasons for such compromises were financial

¹⁴ Respondents in the Christofferson (2007) report were sourced from a mail-out process, which resulted in comprised 770 questionnaires being received and 292 follow up online surveys being undertaken.

constraints and supply constraints, a shortage of two-bedroom dwellings being noted by some respondents.

- In terms of future housing choice, an overwhelming preference was demonstrated for stand-alone dwellings.
- Respondents' future dwelling size preferences indicate that there may be a shortage of two-bedroom dwellings in the future if current trends in building activity continue.
- Having a large sized section was the least important attribute overall in terms of respondents' future housing choice. In terms of age, older respondents particularly saw a large section as being of little or no importance. In terms of household composition, respondents' ratings of the importance of a large section were lowest for single person households.

Another report, the Dunedin Market Indicators Report (Dunedin City Council, 2018), advises that house prices within the City have increased by 10.4% in the year to September 2018 (the highest growth of all major New Zealand cities), with this growth being driven predominantly by attractive investment returns, interest rates remaining low, and a scarcity of houses coming to market. However, despite this market growth it appears that the supply of new housing has been holding steady over the report's preceding year (there were 450 homes consented in the year to October 2018, compared to around 460 homes in the year before that). The report suggests that the lack of an increase in the level of residential construction, at a time when market growth is significant, may indicate the presence of one or more constraints in the development market.

Interestingly, the 2018 market indicators report includes a finding that of the homes consented in the year to October 2018, 26% of these were of the smaller unit typology (e.g. townhouses, apartments, and other attached units), which represents an increase of 10% from the previous year. The need for smaller housing units was identified by Christofferson (2007), in which it was suggested that one out of every three new units should be built in this form, and perhaps the jump in the proportion of smaller units measured by the 2018 study represents the start of this shift. If this is the case, then it likely demonstrates that the market has, over the last few years, become more favourable to the construction of smaller units by the private sector. This may be due to relaxations

in planning regulations associated with the recently published Second-Generation District Plan, or it may be due to an increase in sales prices of smaller units (relative to other housing typologies), or there may be other factors at play.

The HCA report discusses a number of infrastructure constraints that are present within the City's drainage and water supply networks. These include a lack of capacity in some parts of the City's service networks, as well as problems resulting from the age and poor condition of some infrastructure systems. Interestingly, the supply of residential zoned land is not considered by the HCA report to be a significant constraint for housing development, due to the assessed supply capacity that is presently available (sufficient for some 2,200 houses). The supply of residential zoned land is expected to become a constraint to housing development when there is no vacant land remaining, a situation that is predicted by the HCA to occur around 2023 unless steps are taken to increase the capacity of the land resource.

4.3.2 THE HOSPITAL REBUILD

Construction is expected to begin on the rebuild of the Dunedin Public Hospital in 2020 and will continue for a period of possibly 10 years. During this time, it has been suggested that the project could employ 1050 workers, many of whom will most likely come from outside the City (Jamieson, 2018). Moreover, other relatively large-scale public developments, such as the harbourside renewal project (currently in its planning phase), have the potential of further increasing the demand for workers (McNeilly, 2018).

The HAC report acknowledges the impact that the hospital rebuild is expected to have on the local housing market, concluding that this project will *'likely lead to significant direct increases in both supply and demand for housing, as well as further indirect increases resulting from the wider boost to Dunedin's economy'* (p. 10). While this impact is clearly recognised in the HAC report, it appears that the housing needs generated by the hospital rebuild have not been factored into the predictions for housing demand reached by the HAC study, perhaps because of the temporary nature of the rebuild project.

With this information in mind, it may be reasonable to conclude that in the short-term, during construction of the new hospital and other local public development projects, the City is likely to experience a meaningful increase in the demand for housing, although the

manner in which this additional demand translates into market stress is more difficult to predict.

4.3.3 THE SOUTH DUNEDIN DYNAMIC

The South Dunedin dynamic relates to a broad area of existing low-lying, densely-occupied residential land that is at risk of becoming uninhabitable in places through environmental impacts resulting from sea level rise and climate change. Depending on a range of factors, including the rate at which properties are subjected to worsening flood events and the degree to which artificial solutions are implemented to protect this land, there may be an increased need for new housing stock to be constructed in different parts of the City to replace housing stock in South Dunedin that is no longer suitable for occupancy.



Figure 11: Older housing stock in South Dunedin.

The South Dunedin urban environment is generally characterised by dense urban neighbourhoods of predominantly older housing stock (refer Figure 11 above), precincts

of industry (some highly productive and others neglected), corridors of retail and retail-support activity, and pockets of recreational land.

Traditionally, low property values coupled with the lower-than-average income level of residents (both relative to the wider region), has meant that there has been an equally low rate of renovation and/or redevelopment within South Dunedin. This is demonstrated by the many original pre-1920's homes and buildings that still exist in the region. These older structures can have little or no insulation, can be damp due to high water tables in some areas, and can be subject to poor structural condition due to lack of maintenance.

The flat land of South Dunedin is bordered by the Otago Harbour on its northern side, the Pacific Ocean coast on its southern side, the Tainui hills to the east and the Kew, Caversham, Maryhill and Mornington hills to the west. Residential properties in South Dunedin generally lie at a level of between 0.8m and 1.8m above mean sea level (MSL). This low-lying land is protected from the Pacific Ocean by a dune and sea wall system that extends to between 5m and 10m in elevation.

Ground conditions in South Dunedin are typical of reclaimed land. The soils are relatively permeable and the water table moves through the ground with relative ease, often rising to a height very close to, or even above, existing ground level. Tides that are particularly high are known to regularly flood certain parts of the existing road network. When flooding occurs, surface drainage across the ground can be slow due to the flatness of the South Dunedin contour. The flood hazard in South Dunedin has been exacerbated over recent years by increased hard-surfacing as a consequence of urban development and more severe rainfall events that have been brought about by climate change.



Figure 12: Flooding within South Dunedin at June 2015.

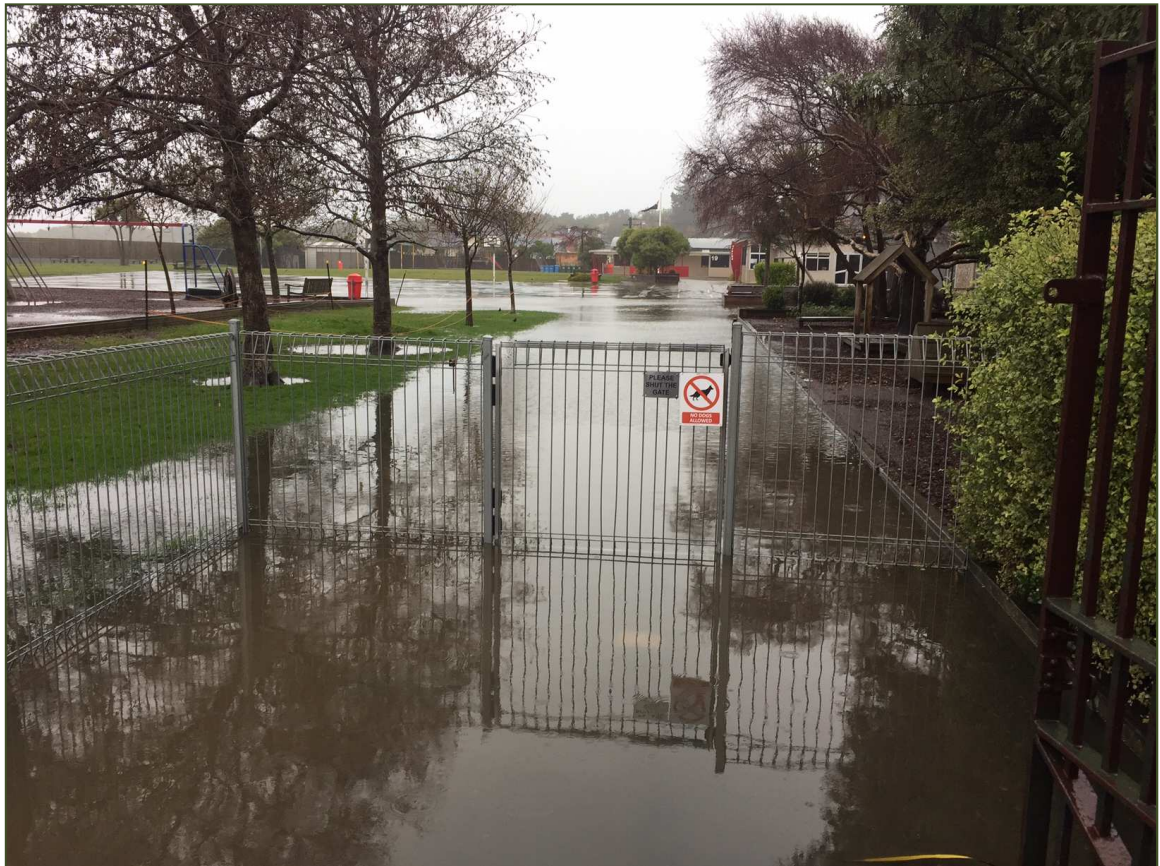


Figure 13: Flooding in Saint Clair School at July 2017.

Tidal data for Dunedin City shows that the level of mean high water springs (MHWS) is 1.11m above MSL. With ground levels as low as 0.8m above MSL, it is not difficult to understand why flooding occurs within parts of South Dunedin with relatively regular frequency. The images in Figure 12¹⁵ and Figure 13 above show the extent of surface flooding in South Dunedin during several recent significant rainfall events.

The Otago Regional Council (ORC) has published information on the possible impacts of sea level rise on the land within South Dunedin. The images shown in Figure 14 and Figure 15 below illustrate the areas of South Dunedin in which more regular surface flooding is anticipated to occur if the water table was to rise by 0.11m and 0.6m respectively (Goldsmith and Hornblow, 2016).

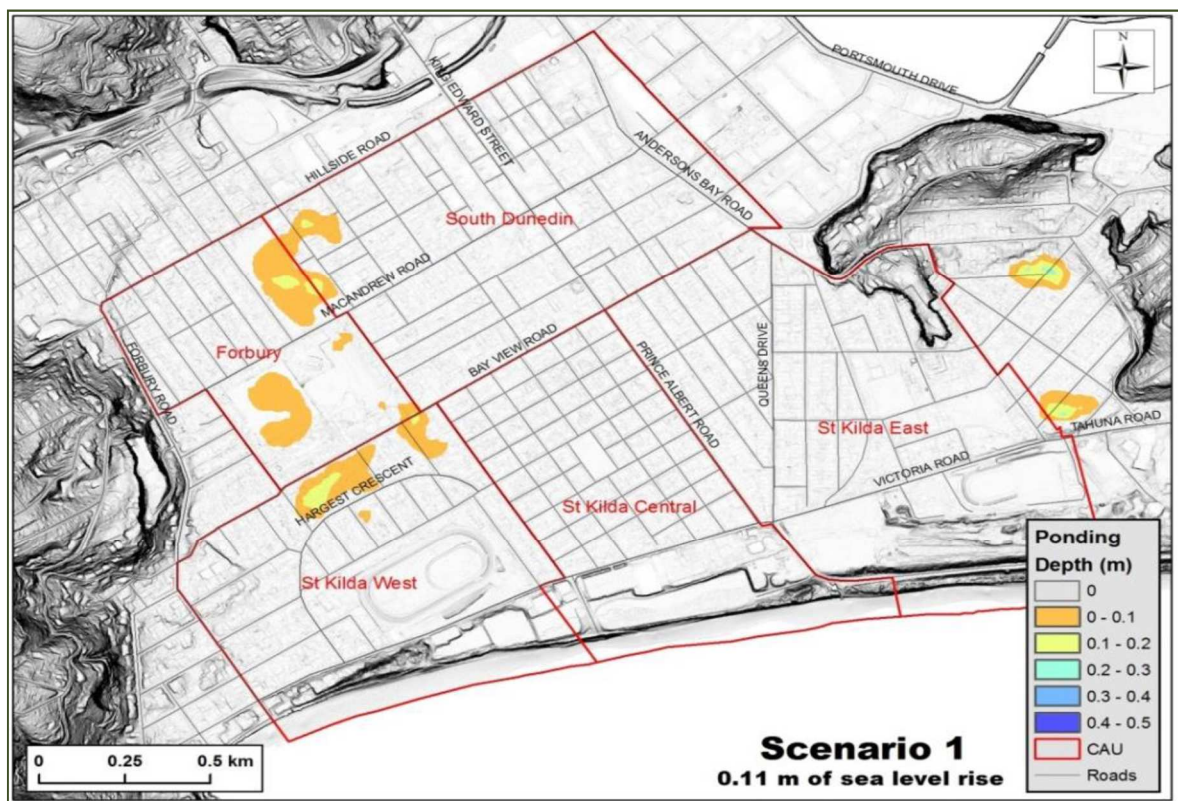


Figure 14: Above-ground ponding for 0.11m of mean sea level rise.

¹⁵ Figure 12 has been sourced from Goldsmith and Hornblow (2016).

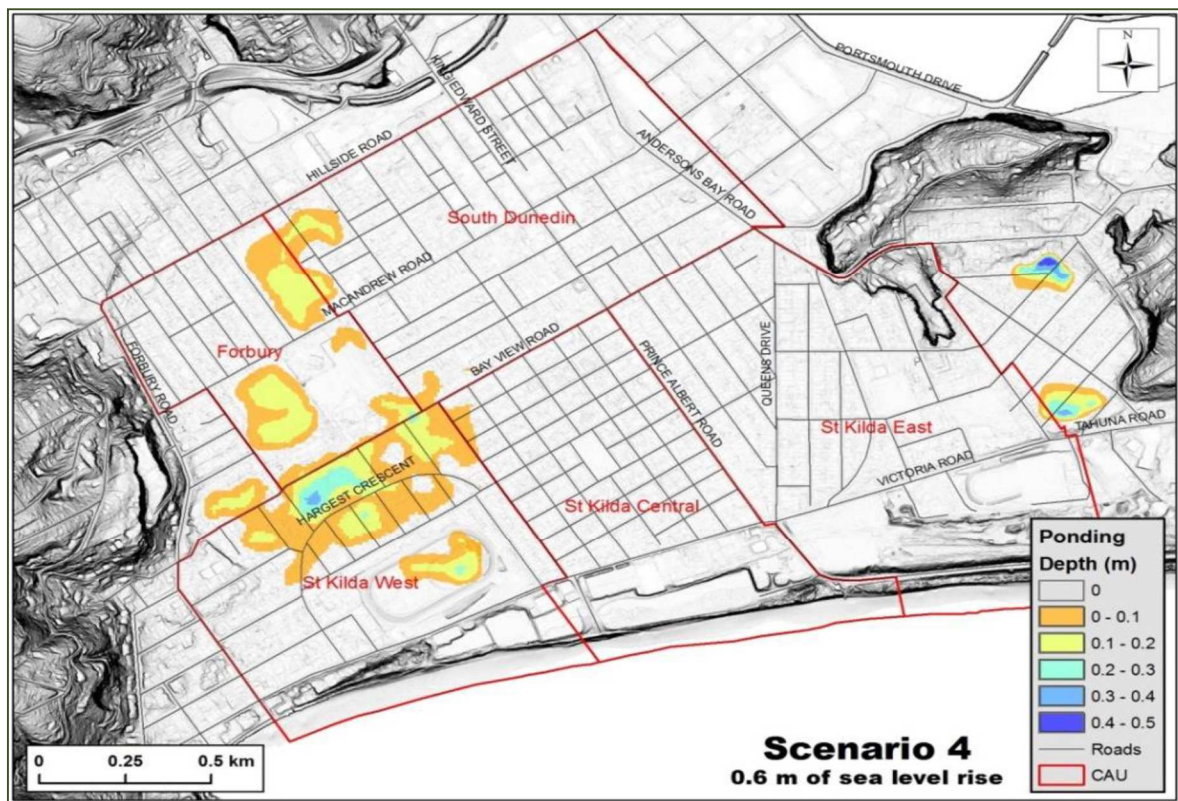


Figure 15: Above-ground ponding for 0.6m of mean sea level rise.

The ORC modelling information has been used to develop provisions within the 2GP to require new buildings to be constructed at, or higher than, a specified minimum floor level and/or to be constructed in a manner that is relocatable. These provisions are designed to ensure that new housing developments are built in a way that mitigates impacts from foreseeable sea level rise. However, this does not address the issue of the impact of sea level rise on existing low-lying houses. It could be argued that as existing houses become uninhabitable due to the effects of rising ground water their values will drop, and at some point, it may become economically feasible for the properties to be purchased and redeveloped for new housing built to the required height standard. If this occurs, and if it is assumed that the old housing stock is replaced by new housing stock at the same density, then the South Dunedin dynamic might have a negligible effect on housing demand in the long-term. However, there will be an interim demand effect while redevelopment processes are occurring (and residents are displaced during this period), as well as in those instances where houses are left uninhabitable for longer periods of time while owners choose not to (or are unable to) proceed with redevelopment activities.

It is therefore anticipated that the South Dunedin dynamic is likely to contribute to an increase in housing stress as the impacts of sea level rise continue to be felt, however the degree to which this increase will occur is highly speculative at present.

4.3.4 THE KIWIBUILD PUSH

The mechanics of the KiwiBuild initiative has been discussed earlier in this study, under subsection 2.3.1.2.

It may be too early to tell what effect the KiwiBuild scheme is having on the affordable housing situation in New Zealand. There has been a relatively high degree of criticism of the scheme in media reports, with one article (Palmer, 2018) quoting the Housing Minister, Mr Phil Twyford, as stating that the scheme is not aimed at low-income families because those families may not be able to service a KiwiBuild home. However, even if the new KiwiBuild houses themselves are not directed towards the affordable end of the market, an argument can be found that suggests the provision of these houses may, through increasing housing supply in general, generate a trickle-down impact that has a softening effect of house prices throughout the full spectrum of the housing market.

A media article, published in the Otago Daily Times (ODT) in July 2018, stated that there had been, at that point in time, 1242 applications by Dunedin residents for an opportunity to purchase a KiwiBuild house. The article identified that there were 851 possible KiwiBuild dwellings within the Dunedin City area (Miller, 2018).

KiwiBuild			
Area	Estimated housing shortfall 2006-17	Possible number of KiwiBuild dwellings	Number of applications
Dunedin City	611	851	1242
Queenstown Lakes District	1600	2229	2484
Auckland	44,738	61,339	22,891
New Zealand	71,766	100,000	35,496
Based on Statistics NZ numbers of households data and lagged building consent applications			

Figure 16: KiwiBuild demand in Dunedin City.

The ODT article also stated, as contextual information, that in areas outside Auckland and Queenstown, KiwiBuild houses would cost between \$300,000 and \$500,000. Dunedin’s lower-quartile house price, according to the article, is about \$300,000.

To date, not a single KiwiBuild house has been brought to market in Dunedin. The KiwiBuild available homes website shows that at 30 July 2019 there are no KiwiBuild homes available in Dunedin City (KiwiBuild, 2019c).

The reason for this is unclear, but two possibilities come to mind. First, as the KiwiBuild programme relies on private developers constructing houses that meet the KiwiBuild standard (with the government acting as a guarantor to the sale of the unit), it is possible that the standard required by KiwiBuild does not offer a financial return on the development at the same level as ordinary non-KiwiBuild developments. Even with the lure of a guaranteed sale, it is possible that the financial model for KiwiBuild is simply not attractive to developers in the Dunedin City environment. The second possibility is that Dunedin has not been a priority area for the government, and the region has perhaps not been subject to an active stakeholder engagement drive as a means of motivating developers to consider partnering with the government to produce KiwiBuild houses. The former of these possibilities is supported by several key informant interviews that have been carried out by this study, in which private developer representatives have described the KiwiBuild scheme as being complicated, inefficient and of limited benefit to their own activities.

Regardless of the reasons for KiwiBuild not having a presence in the Dunedin City area, it is apparent that the prospect of leveraging the KiwiBuild scheme as a means of accelerating housing supply is not an opportunity that is currently being realised by the region to any meaningful extent.

4.3.5 THE MAYOR'S TASK FORCE FOR HOUSING IN DUNEDIN

In early 2018, Council established a multi-sector group to consider the state of housing issues within the City and to provide recommendations to Council around how to guide key stakeholders and the wider community in meeting the City's long-term housing needs. This group is known as the Mayor's Task Force for Housing (MTFH).

In May 2019, the MTFH issued a report to Council. That report included a copy of the Dunedin housing action plan (HAP), which proposes a number of actions to be implemented over the 2019-2039 period.

The MTFH report notes that the median house price in Dunedin City is \$422,674 and \$434,903 (quoting from separate sources with differing data periods).

The HAP makes a number of relevant opening statements. These include:

- Supply of housing has not kept pace with the increase in population, and house and rental prices have risen accordingly. It is difficult for lower income families to get into any home at a reasonable price.
- Compounding this still is the poor-quality of some of our city's older housing – particularly rental houses. Cold, damp housing continues to contribute to Dunedin hospital admissions.
- The economic downside is that businesses and workers will not come to a city with nowhere adequate to live.
- Upcoming major developments; the hospital rebuild and several University projects, will require more out-of-town construction and related workers. This increased demand is expected to compound the large waiting lists for social housing, creating the perfect housing storm.

Further evaluation by the MTFH has led to a number of pertinent conclusions being noted in the HAP, including:

- Demand is growing, with the Ministry of Social Development social housing register and the Dunedin City Council community housing wait list both increasing over the past year.
- Supply of new affordable homes is pressured, with only 55 new social housing places currently funded for Dunedin in the Ministry of Housing and Urban Development's public housing plan during the next four years. There are few currently planned rental units, where the rent would be affordable to a person earning a minimum wage or a benefit (estimated at \$250 per week). Estimated population growth is the highest expected in at least 20 years; and it is projected the city therefore needs to build about 750 homes every year, instead of the 340-360 currently being built.
- In Dunedin, the median household income for the year ending December 2018 was approximately \$71,500, with a median house price of \$408,500. Currently Dunedin is at the early stages of unaffordability – with a median house price of 5.7 times the median household income.

The HAP sets out 16 recommended actions. Of particular relevance to this study are the four actions noted in Table 17 below.

Table 17: Actions from the HAP that are relevant to mobilisation of affordable land.

Action No.	Activity
Action 1.3:	That Dunedin City Council show leadership in enabling the development and delivery of more affordable rental housing in Dunedin.
Action 2.4:	That Council adopts a policy and develop tools to ensure new developments help meet Dunedin's social and affordable housing needs.
Action 2.5:	That Council designate a Housing Navigator/Facilitator to assist residential developers navigating the resource and building consent processes.
Action 3.2:	Joint procurement strategy for high quality, affordable homes.

Notably, the MTFH proposes that the collaborative approach used by the group should be continued, and that Council, while having a central role to play in the implementation of the action plan recommendations, will not be able to deliver everything alone. This can be clearly observed in the above action items, which are dependent on a collaborative partnership between the public and private sectors to achieve the outcomes envisaged by the MTFH.

The HAP refers to Dun city Council's housing capacity forecasts, which predict that there will be a shortfall of residential development capacity over the medium- and long-term. The report recognises that the local authority has recently embarked on a plan change process, called Variation 2, to address this predicted shortfall through modifications to the provisions of the City's district plan. Such modifications could include the creation of new 'greenfield' residential zones and/or allowing increased development density within existing zones.

Another issue identified in the DHAC is the need within Dunedin City for the construction of smaller, possibly attached, units. This need is consistent with the findings of the Stocker

The MTFH has measured affordability within the City using the idea that a house is deemed affordable if the household spends less than one third of their gross household income on rent or mortgage repayments. Using the market data available, the MTFH has

determined that a house price of \$249,000 would be affordable for households in the lower-quartile income band. For houses that are rented, the report determines that for a landlord to be able to offer a house at an affordable (lower-quartile) rental value, it would need to be purchased at no more than \$288,000 so as to translate to a rental value of \$240 per week (a rental yield of 4.32%). The report notes that higher rental yields desired by landlords and rising median house values around the City are resulting in fewer new rental homes being available at affordable levels for lower-quartile households.

The next sections of the study provide a summary of the Dunedin City context (section 4.4), and a discussion around several important affordable housing and affordable land learnings that can be interpreted from comparisons between the Dunedin City setting and the Queenstown-Lakes District case study setting (section 4.5).

4.4 SUMMARY OF LOCAL CONTEXT

Dunedin City is presently experiencing a period of strong and sustained growth in its housing market. Demand for housing is high and sales records show a pattern of steady growth in house values. The rate of development of new housing appears to have remained reasonably static over the last years and is presently well below the level needed to satisfy the perceived current and future demand. A consequence of this high-growth, low-supply environment is that house prices are further inflated due to the increasing scarcity of available properties. Moreover, various housing assessments undertaken by the Dunedin City Council predict a pending housing shortage as the existing capacity of available vacant residential land within the City is exhausted as new development activity continues. The pending hospital rebuild project, and other potential large-scale public infrastructure projects that are on the horizon, can be expected to add further stress to the City's housing market.

Household income data shows that growth in household income levels has been occurring. However, this growth appears to have been insufficient to offset rising housing costs, leading to an overall worsening of the City's housing affordability when measured using the median multiple approach. Furthermore, when inspecting the purchase price and household income data for specific income bands, evaluation has shown that housing affordability is significantly worse for those households in the lower income bands than

it is for those in the higher income bands (when quintile band households are matched to corresponding quintile band houses).

For households in the lower 20% quintile band of the household income data, the median house purchase cost is 12.3 times greater than median household income. For households in the 20%-40% quintile band of the household income data, the median house purchase cost is 8.8 times greater than median household income. For comparison, the median multiple of all data for Dunedin City is 6.2. The highest category of unaffordability used by the Demographia survey is 5.0 and above, which is the 'severely unaffordable' category.

In respect of rental figures, the study shows that the proportion of household income dedicated to housing costs for the lower 20% data band is 53% and for the 20%-40% data band this is 38%. Both of these values are higher than the 30% recommended in literature as the maximum level for a house rental to be considered affordable.

The perception that the lower household income bands are being subjected to housing stress is supported by findings in the reports reviewed that waiting lists for social housing units (both at the Ministry of Social Development and at Dunedin City Council) have been growing and that supply of new social housing units is limited.

Dunedin City Council has recently ratified the Dunedin housing action plan (HAP), which was put forward in May 2019 by the Mayor's Task Force for Housing (MTFH). One of the action items recommended in the plan is for Council to adopt a policy and develop tools to ensure new developments help meet Dunedin's social and affordable housing needs. The Variation 2 proposed plan change is one vehicle that Council could use to advance this action item. As the location and form of housing within the City is largely controlled by the local district plan, there is an opportunity for Variation 2 to introduce appropriate policy measures (including implementation requirements such as rules or performance standards) that are designed to combat increasing unaffordability within the City's housing market.

4.5 AFFORDABLE HOUSING AND AFFORDABLE LAND LEARNINGS

Clearly, there are some very different dynamics to the existing housing environment between Dunedin City and Queenstown-Lakes District. The Dunedin City housing

environment is characterised by a large volume of older housing stock, a demand for smaller units to meet the needs of a population that is both aging and transitioning to smaller household units, and a recent surge in population growth, property values and the demand for greater housing capacity. Contrasting this, the Queenstown-Lakes District housing environment is characterised by relatively modern housing stock, a demand for solutions designed to satisfy a population that includes a large proportion of transitional (and seasonal) members, and an established growth trend.

Perhaps given the steady growth that has been experienced in the Queenstown-Lakes District over the last 20 or more years it may be unsurprising to see that a variety of policy mechanisms have been implemented in that region to address affordable housing issues. While not entirely escaping objection and challenge from sectors of the local community, it is evident that these policy mechanisms have successfully introduced (to an extent) affordable housing outcomes into a stressed property market. To what degree these policies have reduced affordable housing issues has not been deeply assessed by this study, however at a base level it would be reasonable to posit that if some 200 affordable housing units have in fact been realised, as suggested by Austin, Gurran and Whitehead (2014), then this could well be 200 more dedicated affordable housing units than might have been produced had no policy measures been introduced.

It is clear that the policy framework which has been implemented within Queenstown-Lakes District includes a range of delivery measures. In Dunedin City, it is noticeable that the present policy framework lacks any delivery measures for affordable housing and/or affordable land outcomes. The City's recently notified Second-Generation District Plan (2GP) does not include any provisions intended to target the supply of affordable housing. Other established policies, including the spatial plan, housing policy, social wellbeing policy and social housing strategy, express the importance for residents of the City to have access to affordable housing options, however these policies lack discussion on the measures to be put in place to achieve this outcome. It is possible that these policies were developed at a time when the population growth in Dunedin was relatively static and housing affordability issues did not rate as a matter of high priority or importance to the community.

Housing demand in Dunedin City is presently high, and this has contributed to property values having been steadily increasing for a number of years. Recognition of the additional

market stress that will result from the pending hospital rebuild, and the realisation that the current urban housing capacity within the City will be exhausted within the foreseeable future, suggest that affordable housing issues may well become worse over the foreseeable period. In many ways, this situation is possibly not dissimilar to that of the Queenstown-Lakes District in the late 1990's, which resulted in the introduction of the policy framework that now exists in that region.

The Dunedin housing action plan (HAP) is possibly a watershed document for Dunedin City, and there is potential for this to prompt the City to implement a policy response, as occurred in the Queenstown-Lakes District. In particular, Action 2.4 of the HAP recommends that Council adopts a policy and develops tools to ensure new developments help meet Dunedin's social and affordable housing needs. This may in fact have already started, with Council's Variation 2 process getting underway. One of the objectives of Variation 2 is to identify methods in which the urban development capacity of the City might be increased. It would seem to be well within the scope of Variation 2 to consider the introduction of new provisions that would enable the district plan to better manage affordable housing issues.

This research asks the question: 'How might Dunedin City enable the mobilisation of land for affordable housing as a component of private land development?' The Variation 2 process might be one way in which mobilisation of land for affordable housing could be advanced.

The next chapter of the study describes and evaluates the information that has been gathered from the primary research methods, comprising key informant interviews and site observations.

5 FINDINGS FROM PRIMARY RESEARCH

This chapter describes the primary research findings and discusses the implications of these findings in the context of the earlier research information. This discussion starts with an evaluation of the gathered primary research information, compiled into the three different stakeholder sector groups; local authority planners, not-for-profit housing providers and private development companies. In doing this, an understanding of the perspectives of these different participants, and of the different participant groups, within the affordable housing and affordable land setting has been attained. Following this, the study describes and discusses observations that have been made at three affordable housing sites within Queenstown-Lakes District. These findings are later evaluated, in chapter 6, against the knowledge that has been gained from the literature and policy review processes, and from consideration of the local setting.

5.1 ACTOR PERSPECTIVES

As described previously, the key informants interviewed as part of this study include a range of participants from stakeholder groups that comprise local authority planners, not-for-profit housing providers and private development companies. These key informants have been allocated the codes P1-P4, H1-H5 and D1-D4 respectively (further detail of these interview participants is shown in Table 7 earlier).

The perspectives of each of these actor groups are described below. The structure of these perspectives has been presented in a manner to provide each relevant theme with a summary of the views expressed by participants, followed by the inclusion of one or more quotes from the interviews that support the study's discussion. Within each of the actor perspective discussions, the subject themes are composed in groupings beneath three subheadings: stress in the housing market, policy response to improving affordability, and delivery of an affordable land product. These groupings are designed to correlate with the three research objectives of the study.

5.1.1 LOCAL AUTHORITY PLANNERS

The local authority planners interviewed as part of this study collectively share knowledge and experience of the planning landscapes operating in Dunedin City and

Queenstown-Lakes District, including the Resource Management Act legislative framework.

5.1.1.1 Stress in the Housing Market

All of the local authority planners that participated in the study interviews felt that the housing market in Dunedin City (and New Zealand in general) is presently under stress, and that this is translating into increasing house prices and rising levels of unaffordability in respect of both the ownership and rental sectors. Furthermore, the local authority planners all felt that the housing situation in Dunedin City is likely to become more unaffordable over the foreseeable future, particularly for households located in the lower segment of the income range. Some of the comments made by local authority planners around housing stress include:

"I've been on front counter for the past year, and I've noticed that people are really quite desperate... we've heard some quite traumatic stories really about people desperate to get into the council housing." – P3

"There clearly is an increased lack of ability for people to actually own their own home, and all the indicators are, that over time, we're getting into a situation where less and less people can actually own their own home." – P4

"It seems to be the lower and middle value homes where the big growth is, so if you've got a million dollar home it may not have gone up in price terribly much but if your house is in the four to five hundred thousand dollar bracket, that's where the big growth has been in prices." – P3

When asked about the issues generated by rising housing unaffordability, local authority planners suggested that these issues include homelessness and people sleeping in cars, overcrowding within existing housing stock, and increased waiting lists for social housing. The local authority planners from Queenstown-Lakes District also suggested that hot-bedding (people working alternating shifts and sharing a bed) is becoming a social and health issue in that region. Another significant issue that is exacerbated by housing unaffordability in Queenstown-Lakes District is the difficulty in attracting core service workers to the region (e.g. teachers, police, etc.), and the difficulty in retaining these workers as housing unaffordability worsens.

"I think that we have had people apply for roles and we've said, 'now have you checked out house prices?' And they say, 'oh yeah, yeah'. And then they go off and later come back and say, 'well now I've actually looked at it, and I can't make it work out'." – P1

"People are really struggling to find alternative accommodation, and the rents are generally a lot higher than they were paying, and that causes financial stress and people think, well I'd be better to move [out of the region]." – P1

"Like in my generation, a lot of people are actually selling up and leaving because they're going to be able to afford a much better lifestyle [somewhere else]." – P2

One of the Queenstown-Lakes District local authority planners interviewed suggested that many parts of the country, including Dunedin City, appear to be on the same path as Queenstown-Lakes District in respect of rising housing unaffordability (albeit a number of years behind), and that the issues now faced by Queenstown-Lakes District may become issues in those other areas in due course.

5.1.1.2 Policy Response to Improving Affordability

Considering the existing policy framework, and how efficiently this might or might not be addressing housing affordability issues, the local authority planners expressed similar, although not entirely consistent, views on this. The Queenstown-Lakes District local authority planners felt that the strategy which has been implemented in that region, including the stakeholder deeds, PC24, SHA areas, and the Queenstown-Lakes Community Housing Trust, has been an effective collaboration of different affordable housing mechanisms, although they have cautioned that the measures which have been successfully implemented in their region may not necessarily be appropriate in other regions. Several pertinent comments include:

"In my view we're taking a proportion [of private development] as a community investment that will be held as community investment for all time." – P1

"Yes, we're using the Community Housing Trust as the ideal delivery mechanism. It's a stand-alone trust that can access the government support packages..." – P1

Delving into the use of the Resource Management Act to support affordable housing programmes, and in particular the PC24 plan change initiative that was implemented in Queenstown-Lakes District, the local authority planners expressed a degree of frustration that the original intent of the policy was significantly watered-down by the time it made its way into the district plan. It was acknowledged that the resulting policy 'has no teeth' in the sense that it only requires developers to consider incorporating affordable housing measures into developments, it does not make any measures mandatory (except for within several relatively limited situations). However, the Queenstown-Lakes District local authority planners did recognise that the implementation of PC24 has provided benefits in testing the legal framework for using the RMA to address affordable housing issues, and in setting the scene or softening the ground, for future affordable housing initiatives (including possible further RMA mechanisms).

The local authority planners from Dunedin City all recognised that the policy framework in the Dunedin City region was potentially underperforming in respect of its ability to address affordable housing issues. It was suggested that this is occurring in principally two ways, the first being a lack of suitable provisions within the district plan to enable or encourage development of land and housing in a manner that would support affordable housing outcomes, and the second being the often-times difficult consenting process that developers are required to navigate in order to gain the necessary approvals for non-typical development forms. On this second issue, the local authority planners in Dunedin City have not expressed an entirely common view, with one planner suggesting that the consenting process, governed by the RMA, is not a significant impediment to development of affordable housing projects.

"Who would have thought that we have a housing crisis in Dunedin due to sustained growth, which was sort of unheard of even five or six years ago. So that's been a real surprise and indeed the 2GP is simply out of date already." – P3

"Certainly, in terms of a whole new district plan it just takes so long to get through the process, you end up with a plan, parts of it anyway, that is not keeping up with the times. I really think that rolling plan changes is a better approach to respond to community needs." – P3

"I was surprised that such large chunks of the 2GP has a General Residential 1 zone of 500m² [minimum site size]. I just think there could be a bit more flexibility with the range of lot sizes." – P3

"Having large pieces of land developed in a way that is inefficient, for instance in the Large Lot Residential zone or otherwise spaced out generously, means that the infrastructure which Council ends up owning and maintaining is stretched. It isn't good. So, I think it [the district plan] would be better off making sure that there is a good yield [from development], so that the infrastructure is used efficiently." – P4

"I speak to developers and what we are finding is the main thing that they want is some certainty, they don't want the doubt about whether it's going to be notified or non-notified, they don't want doubt about whether it's going to get approved or not approved. That can kill a certain proposal very quickly." – P4

"I don't think it's the RMA getting in the way, I think it is primarily the availability of infrastructure, and in some cases potentially not having enough land in the right locations for development." – P4

In regard to how the Queenstown-Lakes District model might function if transplanted into Dunedin City, there was mixed views held by the local authority planner participants. Several participants thought that the model could function effectively in the Dunedin City environment (particularly if it was able to meet the needs of low-income households that do not meet the criteria for existing accommodation support services), while several participants cautioned that further assessment would be needed prior to introducing any affordable housing initiatives to ensure that the approach used would be efficient and able to deliver results where these are needed. One planner suggested that there is still an ongoing debate happening as to whether the Queenstown-Lakes District model is an appropriate way in principle to achieve effective affordable housing outcomes.

All local authority planners felt that the government has a significant role to play in the provision of affordable housing, including the mobilisation of land to support affordable housing. The local authority planners from Queenstown-Lakes District generally expressed this involvement as being most appropriately focused on legislation, i.e. that

central government needs to put in place and maintain an appropriate national legislative framework which will enable affordable housing issues to be addressed through a variety of legal mechanisms. This is understandable as the Queenstown-Lakes District has an established local policy initiative in place, which has in part been reliant on legislation to support efficient affordable housing outcomes. Maintenance of an effective legislative framework by the government will allow the existing policy in Queenstown-Lakes District to continue to provide desirable outcomes. The local authority planners in Dunedin City also endorse the need for the government to provide national support for affordable housing initiatives, however were more focused on the need for direct investment from national funds into social housing and improved housing infrastructure. Related to this, there was also a concern raised by one local authority planner around the vulnerability for national strategies to change as different governments take office, and the uncertainty created by this dynamic environment (although the same can also be said about local government).

"The government could spend a lot more money on social housing. If you provide [more social housing] then other houses in the lower end will become available as well. And so, central government could do that." – P4

"I think the best thing that central government could do, would be to fund infrastructure. So, guarantee that there was money available for new roads, new water, wastewater, stormwater networks. That would be the most enabling thing, I think, which would lead to new housing." – P4

"I'm sure there's a role for a strong well-run central government agency [to provide housing assistance]. The three-year parliamentary term that's an issue, so I hope that the national housing programme is well funded and set up in such a way that it can't be tinkered with easily by government. At the end of the day parliament has the final say but you need to put something in place that gives a bit of continuity." – P3

The role of local government, i.e. the Regional, City and District Councils, is viewed relatively consistently by the local authority planners interviewed, in that there is absolutely a role for local government in this space. The local authority planners from Queenstown-Lakes District felt that affordable housing is not a core function of the

Council in terms of the organisation's functional brief. The issue is, however, recognised as a community issue, and as the Council is the only body mandated on behalf of its constituents to address this type of issue, the ability for Council to consider affordable housing responses is certainly available. Principally, in Queenstown-Lakes District, this has taken the form of leading the discussion, advocating for the community, implementing suitable policy, and supporting the Community Housing Trust. In Dunedin City, the local authority planners interviewed also recognised that the Council has a role to play in providing (and maintaining) social housing for the City's most vulnerable. There appears to be a growing recognition that the Dunedin City Council may need to implement a range of changes to the 2GP, which are designed to provide greater urban capacity and improved flexibility for housing development projects. A consequence of these adjustments may include beneficial affordable housing outcomes for people who are most vulnerable within the community, as well as for those people who are struggling to afford suitable housing, but who do not qualify for any of the existing housing assistance programmes.

"We don't see ourselves as the delivery arm [for affordable housing], but we are extracting land from development under our regulatory function and using that leverage [to assist the Community Housing Trust]." – P1

"Facilitating [affordable housing] is quite different to delivering. We're not involved in delivery, but it wouldn't exist without our levers and advocacy. It's a partnership." – P2

In both Queenstown-Lakes District and Dunedin City the large proportion of subdivision development and housing delivery is undertaken by the private development sector. The local authority planners interviewed for this study have all recognised the importance of the role that private development organisations play in the provision of affordable land and affordable housing. It is very clear that the interview participants are aware that private development is only likely to occur when particular projects are economically feasible (including a nominal profit/risk margin). One of the Dunedin City local authority planners shared an understanding that the level of private development activity can deteriorate when additional costs are introduced to the development process. The same participant suggested that an increase in the volume of available residential land and the relaxation of certain 2GP provisions might together enable the housing market to provide sufficient houses for the number of households in Dunedin City, and that this outcome

might largely address affordable housing issues (without the need for any targeted measures). The below comments were made in the context of leveraging private development for a financial contribution to be put towards affordable housing initiatives.

"It's difficult to see why it [an affordable housing contribution] would be up to developers, the very people, the very people who we are wanting to build houses. The very people who are taking the risk. It doesn't seem right to make it hard for them. That may tip development away from the very place that you actually want it." – P4

"Paying money to go through some sort of artificial [affordable housing] system ... this seems wildly artificial to me and not the best return on investment." – P4

"I personally think that if you have enough houses to match your population, with what your population is anticipating, then that will provide." – P4

Additional land supply, as a stand-alone measure for addressing housing affordability, is an interesting discussion. The interview participants all felt that having an adequate (or a more than adequate) capacity of land for residential development is an important feature of any affordable housing programme, as this can remove any artificial demand-related margin on property purchase costs, however there were mixed views amongst the local authority planners as to whether land supply alone is able to effectively address affordable housing issues. Several of the interview participants felt that to effectively address affordable housing issues there needs to be a degree of targeted measures included in the broader initiative to ensure that the sector of the community which is under the greatest housing stress can be certain of receiving a benefit from the programme. The local authority planners from Queenstown-Lakes District felt that the establishment of the Community Housing Trust, and the affordable housing programmes that the Trust has developed, is a good example of a targeted response to affordable housing issues. Another local authority planner held the view that targeted solutions would be inefficient if implemented at a local level (but may be useful if implemented under a national programme, particularly in respect of additional social housing).

"We have identified that we have a shortage of housing in the medium to long term [in Dunedin City]. There isn't enough in the pool." – P4

"From a social housing perspective, there's definitely an acknowledgement that we don't have enough social housing in Dunedin." – P4

"There are some constraints in the district plan rules, and I think that some of those rules, once they are loosened up, will allow for greater intensification." – P1

"If you open up a greenfields [development], to get the result of section prices coming down, there's got to be a whole lot of sections on the market [for this to work]. I don't see that as any magic bullet, but I think it's one of the many tools that will be required to solve the problem." – P3

"I think the subtler approach would just be to supply enough housing for your predicted population. And there will be a cycle of renewals and changes of configuration and ideas about tiny houses, or apartments, or inner city living and things like this. But the overall number needs to match it otherwise you just won't have people being able to live in Dunedin. They'll live somewhere else." – P4

"I think it's more about housing supply, and what form it takes, that is important. But fundamentally if there were more houses, whether they be apartments or townhouses or large stand-alone houses, that would take care of it in my opinion. The difficulty would be, is that if all those houses are built, then is the situation still the same by the time they get built, or does that attract different people into Dunedin?" – P4

A number of targeted measures for the provision of affordable housing and/or affordable land in Dunedin City were discussed with the interview participants. These included possible government legislation, relaxation of planning regulations, implementation of inclusionary zoning and density bonusing policy, the establishment of an affordable housing trust (and associated operational programmes), and the use of financial incentives and penalties.

Considering opportunities that might be available in respect of government legislation, the local authority planner participants provided some helpful commentary. The participants from Queenstown-Lakes District expressed satisfaction with the ability to

identify SHA's through the HASHAA legislation, with one interview participant noting that this has produced some 160 affordable housing sites for the region. It seems that the SHA arrangement has been relatively well-received by developers also, as it allows a more truncated and less costly process compared to the normal RMA consenting processes. The Queenstown-Lakes District participants recognise that the HASHAA will shortly be repealed, and that this will remove the opportunity for new SHA's, however there is hope that the government will develop new legislation of a similar nature to better enable local authorities to provide for affordable housing outcomes. The local authority planners at Dunedin City also see the potential for new legislation, or other government support, to assist with affordable housing issues, although these participants would prefer the government's involvement to be more direct rather than enabling. In particular, the provision of funding and investment into social housing and urban infrastructure is considered by the Dunedin City participants to be a more effective contribution by the government to combat local affordable housing issues.

One local authority planner explained that another government-led mechanism which could support the mobilisation of land for residential development is the introduction of a land tax on undeveloped land. The interview participant understands that this is something currently being considered by government. While unclear on any detail, it appears that any landowner of undeveloped residential land might be taxed in respect to the unrealised urban potential of the land. Clearly, this initiative would be intended to discourage land-banking (where a landowner delays a development in anticipation of land prices rising at a future date) and to enable faster mobilisation of appropriately zoned land into an urban form.

Regarding the relaxation of planning systems (policy and process), all participants felt that opportunities do exist for a response to affordable housing issues through this mechanism. There are a number of ways in which policy adjustments can help. Relatively simple modifications of the provisions contained in the 2GP, in respect of zone boundaries and/or development densities, might be able to significantly increase the capacity of urban land within Dunedin City. More complex adjustments, such as installing a minimum development yield requirement or incentives for desirable forms of development that support affordable housing outcomes, are also possible options that could be managed

through planning policy changes. Several pertinent comments from interview participants are:

“Provide a habitable room [density] type approach across the General Residential 1 zone – that might be a very simple response and that might provide enough incentive for people to redevelop their properties and reconfigure their land holdings in such a way that they can actually afford residential units.” – P4

“If you can be nimble [with planning regulations] it can be quite a powerful tool, to incentivise people. Especially with brownfields development, because in Dunedin there is so much central land that’s falling apart essentially, and how cool would that be to turn it into a magical little community with a bit of clever zoning.” – P2

“I think we could be a bit more varied in flexibility and lot sizes, that’s for sure.” – P3

“I think that the best thing the Council can do, is to make sure that they get a good yield, in terms of the number of houses or residential units that are built.” – P4

“There might need to be some incentive to be building rental accommodation. There are changes nationally about what can be done to the [rental] tenancies, including the ability for people to stay in places long-term, whether they can have pets there, and how they have to be insulated and all those sorts of things. Some of those things may make it less attractive to be a landlord than it currently is, and so that creates a squeeze on that type of housing.” – P4

However, the local authority planners have also raised some potential difficulties with modifying planning policy. These include land-banking, whereby even if appropriate land is zoned for more intensive urban use, the desired outcome still relies on the landowner to choose to embark on a development activity (or sell the land to someone who would do this), as well as possible community opposition to the proposed relaxation of certain planning provisions. The latter of these issues could be encountered through the public submission process at the time any proposed district plan changes are notified. Certain

communities, or certain members within communities, may feel that any intensification of residential density, in any form, might have a detrimental effect on the amenity presently enjoyed by their property. This situation can lead to objections being made against the proposed modifications, and potentially even Environment Court appeals.

The possibility of introducing an inclusionary zoning policy into the 2GP as a method of providing for affordable housing outcomes has been discussed with each interview participant. It is interesting to learn from the Queenstown-Lakes District planners that the form of PC24, as adopted into the Queenstown-Lakes District Plan, still leaves a question as to whether the RMA (being an effects based piece of legislation) has the authority to support an inclusionary zoning policy designed to address an impact that may not be directly attributable to the subject development. This question may yet need to be tested by the courts.

Inclusionary zoning is generally considered to take the form of an obligation on development projects to provide land and/or financial contribution to an external party for the purposes of meeting certain affordable housing objectives. In its purest form this will emerge as a cost to the developer, and the developer may choose to absorb this cost as a contribution to a well-functioning community, or to add this additional cost to the sales values of the remaining sites, or to abandon the development altogether. However, if a form of density bonusing is introduced as part of the inclusionary zoning policy this may offset the cost to the developer to the point that the use of an inclusionary zoning approach actually provides an incentive to develop land. Under this scenario, an inclusionary zoning policy might be introduced to the 2GP as an alternative (voluntary) form of development, allowing developers to decide whether or not to go down this path, and this might largely avoid the unresolved RMA 'effects' test previously discussed.

The local authority planners in Queenstown-Lakes District felt that there is certainly merit in testing the potential for the RMA to be used to introduce inclusionary zoning policy more comprehensively into district plans. It has been suggested that the community and many developers have become more accepting of the affordable housing initiative being operated within the Queenstown-Lakes District region (since the first stakeholder deeds were implemented in the early 2000's) and that a more robust policy built into the district plan might now find greater favour than it did originally. The local authority planners from Dunedin City were less encouraging of a pure inclusionary zoning policy, seeing this

as something that might reduce the overall volume of housing development due to some developers choosing not to proceed with developments because of the additional cost. However, when considering incentivising the inclusionary zoning policy by enabling a density bonusing arrangement, the local authority planners in Dunedin City expressed a view that if designed carefully this might be a useful mechanism to support affordable housing outcomes.

“So there'd have to be quite a buy into it [inclusionary zoning], and I think people would be saying, why isn't central government paying for affordable houses, or why isn't local government having a fund for low-income people, or why isn't there some sort of tax break for young or first home buyers...” – P4

“I think the short answer to that is yes, we do need to use that tool [density bonusing] for affordable housing and I think the effects can be mitigated by good design in terms of open space, and preferably some kind of integrated development with the developer building the houses as well. So yeah there's definitely a place for that technique.” – P3

“It just comes down to good subdivision design really to provide the adequate open space and reserves and things like that. The Grandvista development includes some denser areas within it, and that's been a very popular subdivision. I don't think that densification in certain areas has had a negative effect on values or anything like that.” – P3

Overall, without having an established period of community discussion and involvement around affordable housing issues, such as exists in Queenstown-Lakes District, the local authority planners expressed some caution around introducing an inclusionary zoning policy that proposes an additional obligation of costs onto housing developers. Without buy-in from the private development sector, such a policy is likely to be fraught with difficulty. However, the introduction of an inclusionary zoning policy that is both voluntary and incentivised through density bonusing opportunities, may offer an acceptable arrangement.

There are several aspects of the implementation of an inclusionary zoning policy that will need to be considered during its design. These include the dynamic whereby inclusionary

zoning is likely to be more effective where there is an adequate land supply available (if there is limited land available for development there will also be limited opportunity for inclusionary zoning opportunities). A second consideration identified in the interviews with local authority planners is the potential for public opposition to the concept of inclusionary zoning (and density bonusing), and the possibility that the policy as designed might be modified to something different as a consequence of the public participation process. After all, this is what occurred with the PC24 inclusionary zoning policy implemented in Queenstown-Lakes District.

5.1.1.3 Delivery of an Affordable Land Product

The potential benefits of Dunedin City establishing a community housing trust, similar to the trust that is operating in Queenstown-Lakes District, has also been discussed with each of the local authority planners. Generally, participants felt that if the Dunedin City community was to decide that targeted affordable housing mechanisms were needed, then the establishment of a not-for-profit trust might offer a better vehicle to drive these mechanisms than having this task undertaken from within Council itself. The reasons for this include the potential ability for a trust to access government funding resources (for example, the income-related-rent subsidy) more effectively than a local authority can do this, and the focused motivation and operational transparency that a trust is able to provide.

"I think it benefits the community for the Trust and Council to be separate voices and advocate slightly differently for what is needed. I think the two organisations can challenge each other quite often and hold each other to account to a certain extent. So, I actually think it acts as a good sort of balance." – P2

"The community trust is an ideal delivery mechanism. It's a stand-alone trust that accesses the government support packages..." – P1

"I think probably if it [the trust] was a separate body it's probably a bit more focused and could be a bit more innovative, but if it was part of the Council then perhaps it would tend to get stuck with certain ways of thinking." – P3

The Queenstown-Lakes Community Housing Trust has developed a range of programmes to best suit the needs of those households that qualify for assistance. The local authority

planners from Queenstown-Lakes District are familiar with these programmes and consider that these are well-designed and well-suited to meeting local needs. It has been suggested that the affordable housing needs in Dunedin City may well be different to the needs in Queenstown-Lakes District, and that any programmes developed for use in Dunedin City will need to be carefully designed to suit the local conditions.

"The benefit of the Secure Home product is that it gives security of tenure and the value increase is strictly monitored, so it keeps it affordable into the long term."

– P1

"After 15 years a person in a Secure Home has a greater equity at the end of that period than a person renting. It's not a capital gain but you're much better off than if you rent." – P1

"And the Secure Home, it's been tested time and time again and nobody can find a flaw with it. But it's only going to deal with one part of the community." – P1

The affordable housing programmes currently operated by the Queenstown-Lakes Community Housing Trust include shared-equity ownership options (with security of tenure enabled through long-term leases) and several affordable rental options. The different programmes are designed to suit households that have different needs. The importance of having a range of options for people that are tailored to the local housing environment is highlighted by a number of interview participants.

"I think the rental market's important to think about as well. And certainly, when people can't afford to buy houses, then to be able to rent houses is the next thing."

– P4

"I think that another response to some of these situations where people cannot afford a house is that we may see a return of the expanded family, the inter-generational thing when parents are living with the family. And there's talk of things like elderly persons flatting, where traditionally we might have four elderly people living in separate houses, we might now have four elderly people flatting together." – P4

"Another thing I think is, especially if you're starting out fresh in Dunedin, it might be cool to look at a broader range of alternative housing typologies. There is some pretty interesting co-housing stuff coming out of New Zealand, and I know that there's a [co-housing] development in Dunedin which I think seems like it's going to be pretty cool. I think in particular it would be really great to have aging in place scenarios for folk, where you get the community support without being in the 'old person's home'. Although it's starting out fresh, it would be cool to have more options." – P1

Other benefits of using a trust to operate an affordable housing programme, as suggested by several of the local authority planners, include the ability to maintain the affordable value of the programme in perpetuity, and the ability to independently determine suitable eligibility criteria for recipient households. Essentially, the trust would be mandated with identifying, encouraging and delivering affordable housing outcomes, while at the same time being able to operate outside the organisational confines of a local authority body, and in a manner that is focused and transparent.

"The key messages which from where I sit, would that your delivery model needs to be really robust. I think that that's probably one of the biggest things, other than obviously, the provision of land initially. So, it's getting the land, developing a secure delivery programme which allows [affordability] retention over time, and then security of tenure [for recipients] within that - those are the things I think are really the lynch-pins." – P2

The final group of affordable housing mechanisms that have been discussed with the local authority planners comprise financial incentives and penalties. For the most part, interview participants felt that there should not be any financial penalties introduced on private development as a means of achieving affordable housing outcomes. It was expressed that the imposition of additional costs would more likely have an opposite effect on affordable housing as these costs would be expected to discourage the development of land and housing, thereby reducing the current scale of house construction and resulting in greater demand stress (and likely higher prices as a consequence). However, one participant felt that the development contributions mechanism available under the Local Government Act might be able to be used to attract a modest financial contribution from private development. Interview participants

generally felt that there might be an opportunity for financial incentives to be used as a mechanism to encourage the mobilisation of land for affordable housing purposes. These incentives could include a discount on the normal development contribution charges, or even the allocation of funds from the local authority towards particular elements of a development activity.

“We have wondered, given the age of the housing stock in Dunedin and where it’s located, whether some sort of incentive like paying for the demolition [of existing structures] to create a vacant site may also provide more housing development.”

– P3

The last of the key messages expressed by the local authority planners is the need for all stakeholders, including the community, Council, housing providers and private developers, to actively participate in the process of developing a suitable affordable housing initiative, in whatever form that takes, and to be motivated to make the initiative function effectively. For the programme to be successful, all of these groups will need to feel that they are able to contribute to the solution.

“To answer your question, I think the whole affordable housing thing needs to be attacked from as many angles as possible so I mean if the private sector is willing to play a part then we should engage with them.” – P3

5.1.2 HOUSING PROVIDERS

The interview participants of the not-for-profit housing provider stakeholder group collectively share knowledge and experience of the housing issues that exist within Dunedin City and Queenstown-Lakes District, and the initiatives that are in place to assist in alleviating these issues. Several of these participants operate from within national housing provider organisations.

5.1.2.1 Stress in the Housing Market

As with the local authority planner group, the housing provider interview participants expressed an understanding that the housing market in Dunedin City is currently subject to increasing stress in respect of affordability. The expectation is that housing stress is likely to increase over the foreseeable future as several large redevelopment projects

start to accelerate and as the availability of rental units and urban land capacity reduces. This is evidenced by a number of comments expressed in the interviews, as shown below:

"You see families where they will have two or three kids in one bedroom, and then they're renting out the spare room to a boarder, which they need to do just to make ends meet." – H1

"I think that there is this huge gap between what people on benefits and supported living can afford, and what the market is asking for its properties." – H4

"We've got this juggernaut, which is going to be the hospital rebuild coming, but not only is the hospital going to be rebuilt, but we've got two or three new halls of residence being rebuilt at the same time. We've got the harbour-side development at the same time. Plus, we've got business as usual, with an extra 1,300 net growth a year. We've got to put these people somewhere, so where on earth are we going to put them?" – H2

"There is a mass exodus with the healthy homes legislation – you can see the wait lists go up because landlords just got out of the business." – H3

"The other thing that's happening in Dunedin at the moment is the availability of [affordable] rental places. Market demands are driving up the rental prices being asked, because there are so many people looking for the same flat." – H4

"The evidence shown in research is that we have simply failed to invest in building enough lower quartile homes, to meet the demand that will always be there for people on lower incomes." – H5

"You've got more and more people falling in that hole where they will never be able to afford to service their current rent and save money to buy or to get into the property market. And the rentals are going the other way as well, and so they're just left in no man's land." – H4

"Not very many people are building in South Dunedin at the moment, because of the whole issue with ground water, and climate change. There's something like

30,000 people in South Dunedin, in that affected space; we're going to have to do something.” – H2

The consequences of increasing unaffordability in the housing market, as described by the housing provider interview participants, include increasing levels of loneliness, homelessness, health problems, increasing complex situations (where people affected by housing affordability issues also suffer other social issue issues such as mental health and domestic violence), and increasing numbers of people on housing provider waiting lists for assisted housing.

“We've got a significant number of people sleeping rough in Dunedin, and while there are some who believe they want to sleep rough, there are also a huge number that don't.” – H2

“They're seeing that homelessness is increasing; they're seeing more and more of the 'missing middle', which is those households that are working, but can't afford to buy a house. And that's what really bugs me, because these are working folks, they're doing everything right and our economy should work for them.” – H5

“That causes us some concerns. My worry is that the demographic of those people [affected by housing affordability issues] is going get older. That can conceivably cut someone's life shorter. How is that okay?” – H2

“The wait list is controlled and there's an awful lot of people in that middle bracket who just aren't at crisis point enough to get into one of our houses, which is disturbing.” – H2

5.1.2.2 Policy Response to Improving Affordability

When asked whether the existing policy framework is currently functioning efficiently in respect of enabling appropriate affordable housing outcomes, the housing provider participants provided a range of views, opinions and examples. Some current policy elements appear to be operating relatively successfully, or hold promise to work successfully, while other policy elements appear to be relatively ineffectual.

The policy elements that were praised by the interview participants include the KiwiSaver programme, access to funding from the Ministry of Housing and Urban Development (HUD), district plan inclusionary zoning provisions made under the RMA (related to Queenstown-Lakes District), and the Special Housing Areas enabled under the HASHAA. The KiwiSaver programme is recognised by housing providers operating in both Dunedin City and Queenstown-Lakes District as having enabled a significant number of people to purchase a house, where this might have been otherwise difficult. HUD funding is starting to become more available for housing development projects, and this offers greater potential for housing providers to work with the private development sector to collaborate on new affordable housing projects. Finally, the PC24 plan change process undertaken in Queenstown-Lakes District confirms the potential for inclusionary zoning policy for affordable housing outcomes to be incorporated into district plans through the RMA. However, this is not entirely easy and one housing provider described in detail the untested aspect of incorporating an inclusionary zoning policy into a district plan, which considers whether or not the RMA is capable of addressing either a pre-existing social issue or social issues that are not a direct result of a particular development. The general thinking on this matter is that while the RMA is able to be called upon to develop a response to those affordable housing issues which can be shown to be a direct consequence of a particular development (as proved by PC24), it probably does not have the authority to impose conditions on developments beyond this extent. One of the housing providers expressed disappointment at the outcome of PC24, suggesting that it could have been much more effective at achieving affordable housing outcomes had there not been so much compromise made during its installation process. In regard to the special housing areas, a number of which have been established in Queenstown-Lakes District (none exist within Dunedin City), these have been welcomed by housing providers as several of the SHA's include specific provisions for affordable housing objectives to be achieved.

"KiwiSaver has been a lifesaver for so many households, in terms of enforced savings which has led to people suddenly realising they have a deposit to buy a home – that's been amazing. I'm a big supporter and proponent of KiwiSaver." –

H1

"We need community housing providers to come together with developers to access that HUD funding, to be able to take advantage of [that opportunity]." – H3

"Part of the debate we are having is that if you take a pure RMA approach, then the term we should be using is really linkage zoning, rather than inclusionary zoning. And the linkage zoning approach says you must conduct a needs assessment, to assess a given development for what are the effects on housing affordability that will result from a particular development. It's a fairly complicated assessment approach that you have to do, to then be able to say, 'this new development needs to provide seven three-bedroom houses for young families, which all have to cost less than \$350,000', but that's what the linkage zoning approach, to mitigate the effect of affordability, requires you to do. – H5

"Most of the SHA developments go through non-notified, which is a big one, so the neighbours don't really have a say. That's one of the biggest advantages to the SHA process. There's one in Wanaka where the developer could have waited 12 months and put it through the district plan [resource consent process], but then that would have been subject to one of the neighbours [becoming involved] and the developer knew that the neighbour was going to oppose it. So, the developer has calculated that it is better to provide 10% affordable housing [under the SHA process] than wait a year and face court. 10% is going to be cheaper than legal fees." – H1

Of the policy elements that were thought to be relatively ineffectual for achieving affordable housing outcomes, the housing provider participants generally felt that the majority of the local policy within Dunedin City has not been performing well in this regard. Interview participants have expressed concern that the recently implemented 2GP district plan does not include sufficient provision or flexibility for increased urban capacity, and that the consenting process encountered by applications for developments that are not automatically permitted is difficult and uncertain (however, the majority of housing providers are also aware that one of the aims of the current Variation 2 process is to provide greater urban capacity). Other policy, including the eligibility criteria, housing allocation processes and the structure of housing assistance payments, which are administered by the government and by local housing provider organisations, appear to

be sometimes overly complicated and inefficient. Related to this, it has been noted by several interview participants that there may be an existing missed opportunity for Dunedin City to access the income-related-rent subsidy fund in respect of the social housing tenants managed by Dunedin City Council.

"I think the 2GP probably didn't go far enough, but then the 2GP actually was consulted initially when we were a no-growth city. I think now they're recognising, actually we've got to do something, we've got to be a bit creative." – H2

"I think that a lot of developers find Council very frustrating. I know that we have found them very frustrating. The message that we've been getting from developers is that it's just too hard, so they don't try. It's easier to just go and build \$400,000 homes, on \$300,000 pieces of land, and sell them off for a million. That makes more sense than going through a big battle." – H2

"We [a local housing provider organisation] have to move one person, and then do up the house that they've moved out of, and then move the next person in, and then do up that house, and so on. So, it's actually a chain, but it has a big gap in the middle which makes it quite a process." – H2

"There are some central government settings that exclude local authorities from being able to access any of the central government funding programme. And, if you look around the country, we see that different councils have responded differently. Christchurch City Council went through a process to transfer the operations of their portfolio to a community housing trust [which enabled them to claim the income-related-rent subsidy]. But, just something to be aware of, most pensioners won't automatically be eligible for the income-related-rent subsidy because they're not facing a high need, they don't have multiple issues or a severely low income." – H5

"The whole system [housing assistance payments], in my opinion, is far too complicated. You can get a little bit from here, a little bit from there, and a little bit from there. Then it adds up to this, and then we all take this and it ends up

like that. It's really, really complicated. It's so complicated that often tenants don't know what they're entitled to. That's not right.” – H2

Regarding the roles of the different actors operating within the affordable housing space, housing provider participants overall felt that there is an important contribution to be made in collaboration between all actors. At a national level, there is presently a variety of programmes and policies designed to support the most vulnerable people, and there are also funding facilities such as KiwiSaver. Optimism has also been expressed by housing provider participants that the government will offer new funding for housing infrastructure programmes through the HUD framework. However, several housing provider participants informed the study that programmes operated on a national level may not necessarily suit particular groups of people that are suffering certain localised issues. In those regions that have particularly high unaffordability levels (e.g. high cost-to-income ratios), the government support facilities may be insufficient. This may be especially relevant in the community housing space, where people can struggle to afford housing but do not qualify for any existing assistance schemes.

“Central government policies have often been focused on serving only the most in need, and then basically doing very little for folks who are at risk, but not yet homeless or in severe need. We need to be making sure we've got stuff working at every stage.” – H5

“The government currently mostly does public housing. But in Queenstown that's such a small number of people who are in housing stress, there's all these people above, so who's looking after them? If not the government, then the community, the Council, has to step in. And I think that's where the Trust and our Council together have got it nailed. I say nailed as in we've got a great model, but we just need to scale up.” – H1

“I think that what's actually starting to happen is more collaboration across the social housing providers, and you can see that already.” – H3

Local authorities and the not-for-profit organisations are viewed as being able to offer a more targeted and more responsive approach to addressing affordable housing issues where national programmes are unable to reach those in need. However, several of the

interview participants suggested that there might be difficulties with local authorities operating in this space. One participant suggested that local authorities should not be in the business of providing housing. This participant was not opposed to the provision of affordable housing per se, but felt that this activity can be better administered by not-for-profit organisations, without having local authorities involved in the delivery aspect of the program. One reason for this is the ability for approved community housing providers to access the national income-related-rent subsidy fund, which is something that local authorities cannot do. Independent housing trusts, such as the Queenstown-Lakes Community Housing Trust, are seen as having greater potential to be effective vehicles for delivering affordable housing outcomes.

"A lot of people argue that affordable housing is no business of Councils, and Councils should just keep to their knitting and focus on water, roading, infrastructure etc. but the reality is that Councils have been set up to support a community and lack of affordable housing becomes a massive issue for communities, so why shouldn't they have a stake in the game." – H1

"I think it's about the transparency of the whole thing. Having a Council which is the authority that issues the building consents and resource consents etc., also being the one to provide [affordable] housing, it's sort of muddying the waters a bit." – H4

"I think there's an acceptance that there's very clearly several different roles that local authorities can play in the housing space, and the old argument that many councillors would have had, where, 'this is a job for central government, and nothing that really we should bother spending rate payer money on', I think that view is more and more in the minority because they're seeing more and more of the 'missing middle', so those households that are working, and can't afford to buy a house." – H5

"I don't see it as a role of Council to provide housing. I would prefer them almost to just stay one step removed." – H2

"That's probably where the Council sits in that whole thing, they don't have the funds to play in that developer market because just to get land to be able to put social housing or community housing on you're talking big dollars." – H4

"Dunedin City Council has the pensioner housing stock for a reason, and this reason is not going away, so therefore we don't convert our existing stock into that [community housing]. It's separate, two separate things. Two separate needs you're filling." – H4

"The problem that the DCC has with creating affordable housing, if they want to do rentals at an affordable level, is they are not eligible for the income-related-rent subsidy. That puts them in a difficult position, because their portfolio, which is about 930-odd houses, or bedsits and studios. Their portfolio is aging, and they are only just keeping up with the maintenance." – H2

"There has been a real shift, which is interesting, and it will be interesting to see who becomes the new mayor, because that will guide what we do in the future. It depends on who we get, and obviously we don't know, but if it's somebody who has a real housing focus, then it could change the way Dunedin looks, which would be cool." – H2

"There's a package of policies and actions that together have been part of the Queenstown solution. It's a combination of Council taking leadership and implementing the housing strategy, and the setting up of the Community Housing Trust. Choosing that we're not going to have Council build a housing stock, we're going to use a not-for-profit structure to both develop and hold on to that value." – H5

"I think you can achieve better transparency through a separate, not-for-profit trust, than you can where there's always going to be a pressure of like, 'oh well, gosh, we really need to upgrade that sewer line. Let's use some of the surplus from housing this year to put into that'." – H5

"The beauty of being an independent trust is that it has the ability to be quite flexible and nimble with its programmes and what it delivers." – H1

"And the Trust isn't subject to all of those issues and firestorms that occur, you know, and the ability for a Council to go from being very conservative to very progressive, and back and forth. Also, I think [there are benefits] from a tax and finance settings standpoint; the Trust is a tax-exempt entity that devotes any surpluses back into delivering more housing." – H5

"I think the housing crisis that people used to think was only in Auckland and Queenstown, has now spread throughout every city, and certainly increased in many of our rural towns and communities as well. And so, it's no longer a problem for them, it's a problem for us, and in that sense, I don't think we're getting on top of it [the problem], but I do think we're getting on top of what the solutions are." – H5

The views of housing provider interview participants on the role that the private development sector plays in the provision of affordable housing is mixed. The majority of participants expressed optimism that developers would choose to contribute to the provision of affordable housing if the process could be made easier and as long as there was still a reasonable financial proposition in the development. Several participants noted that local developers within Dunedin City have been recently active in considering developments that include an affordable housing element. One participant expressed an opinion that the majority of developers were unlikely to contribute to affordable housing programmes unless these could be structured to provide at least the same level of financial return as a traditional form of development.

"We're now being approached by developers, which is awesome, because we can't build everything. We can buy some stuff, but nothing's being built that we can buy. That level of actually sitting up and going 'actually we can't do this by ourselves' has now begun to step up, which is good." – H2

"Some [developers] are very strongly opposed [to the implementation of an affordable housing policy]. There are those who will take Council to court. Others understand, and I guess they just have a more philanthropic mindset and perhaps they can see the value to the community. But for the most part, developers are developers for a reason and that's to make the best profit they can." – H1

When asked whether, and to what extent, a large increase in the supply of available residential land would have a positive impact of housing affordability in Dunedin City, the housing provider participants generally felt that any impact in this regard would likely be modest in scale, if at all. One participant felt that the impact of a significant increase in housing numbers would be most noticeable on rental values, which would reduce as a consequence of there being less unsatisfied demand. Other participants mostly felt that relying on increased land supply as the principal means of providing affordable housing outcomes would be less efficient than implementing targeted affordable housing strategies.

"I don't know if it [greater land supply] would necessarily reduce property values. I think it would reduce rental values because people wouldn't want their houses sitting there doing nothing." -H4

"That whole theory of just releasing a heap of land and letting housing supply come up and then that will drip feed down to more affordable as well, it doesn't work where there is such high demand for housing. Builders make so much more money, their margins are so much higher, if they build a 4-million-dollar house versus a \$400,000 house. You know, there has to be an incentive for them to do that." – H1

"I don't think that land is the issue, I think infrastructure in some areas is an issue, but I think there is enough pockets of land around the city to be able to build some quite good housing. I personally don't think land is an issue; I think the issue is that we don't have enough at that lower level to start people on their stairway, that property ladder." – H2

"Research has shown that historically we were putting ten-times the investment into building lower quartile homes than we are now. It argues that it isn't just a land supply question, it's an investment, a failure to make investment targeted to delivery of lower quartile homes. If we're not explicit around investment settings, to make sure there are some lower quartile homes coming out of new developments, then even if we are getting some people moving into the upper quartile houses, freeing up other ones, if we haven't produced any new lower

quartile houses, we haven't increased that stock - we're still dealing with the amount of it that we had 30 years ago.” – H5

Regarding the question of what measures might be effective in the Dunedin City context to achieve desirable affordable housing outcomes, the housing provider interview participants expressed a range of options, including influencing national legislation and making use of any government funding that might be available, implementation of local policy (principally through the 2GP), improving the consenting process, and the development of targeted programmes to identify and support eligible in-need households. All of the housing provider participants spoken with felt that a package of these measures, operated in coordination, could form an appropriate response to the growing levels of housing unaffordability.

The implementation of new legislation has the potential to assist the provision of affordable housing supply. One housing provider participant suggested that if helpful strategies could be established in law that these would be less vulnerable to review and modification as subsequent governments take office. Another participant suggested that new legislation could include a cap on section sales prices in certain areas, as a means of tackling rising housing prices. Several participants noted the importance of gaining access to the government’s HUD funding programmes, particularly as a way of assisting Dunedin City to overcome some of its current infrastructure constraints. Finally, one participant voiced a concern that if local measures are not implemented to address housing affordability issues, and the situation worsens, then the government may elect to step in and impose affordable housing measures for the City. These measures may not necessarily be the best method of achieving ideal local outcomes.

“HUD is also signing 25-year leases for [privately built] social housing projects, and the developers are able to just do their normal thing.” – H3.

“I think the government's got to step in and say, if you're doing a 400-section development, then 10% or 20% of those have to be capped at \$200,000 or \$150,000 or something like that. The rest of them you can sell for \$300,000 and that's fine. But we're going to have these ones here, which will allow people to build on those things at a reasonable rate.” – H4

"I think we have to be mindful that actually, as a city, if we don't do this [find affordable housing solutions] it could come from central government, and they could just tell us to do it, and that's again slightly concerning because we still want Dunedin to retain its flavour." – H2

Regarding the use of planning policy modifications to incorporate affordable housing mechanisms, the housing provider participants that were spoken to all agreed that there was significant scope for this to occur. The modification of 2GP provisions appears to be the most likely method of providing a more enabling policy framework. Participants felt that more flexibility in respect of residential densities, and the incorporation of inclusionary zoning and density bonusing incentives, would likely encourage the development of land and houses in a way that can support affordable housing outcomes. It was apparent that housing provider participants believe that changes to policy need to be of an incentivised nature for several reasons, first to minimise opposition from the private development sector during the policy modification process, and second to ensure that housing development projects are not made commercially unviable.

"I think we have to start watching how many four-bedroom sprawling houses we build out on the Taieri.¹⁶ I think that they're still selling, but actually if you could build two nice townhouses on the same section, why wouldn't you? I think the apartment thing is something we haven't really embraced in this city, and I think that's something we really need to. We need to become a little more flexible." – H2

"And so, where before people would say, 'oh, well, inclusionary zoning is interfering in the market too much', I don't know that I hear too many people saying that anymore. They're now saying 'oh well, it would have to be a well-designed programme, and it would have to make sure that the value uplift that occurs is retained for the affordable housing purpose'. So, those are people arguing about how we do it, they're not arguing that we shouldn't do something." – H5

¹⁶ Taieri is a reference to the Taieri Plains, which lies to the west of metropolitan Dunedin. The Taieri Plains is considered part of the broader City, and encompasses the Mosgiel and North Taieri townships, as marked on the image in Figure 8.

"I think for us, that's why the inclusionary zoning approach can be an investment tool, to make sure that part of our land supply does come through in such a way that makes sure we get lower-quartile value homes." – H5

"It [inclusionary zoning] is such a common sense approach sometimes. Some people say that it should be pepper-potted around and there shouldn't be any places that there's not community housing, but sometimes it just doesn't make sense. For instance, if sections in one area are worth twice the value of sections somewhere else there's no point us building on them and over-capitalising – we're better off selling the expensive sites and buying a greater number of sites at the other location to use for affordable housing." – H5

Another matter that was raised by one of the housing provider participants was the understanding of land value uplift through well-constructed and well-understood development incentives. A clear policy that sets out what incentives a private developer might gain access to if the development is carried out in a certain manner will provide a planning environment in which the desired form of housing development will occur more often than at present.

"Nearly 18 million dollars of it [funding for the Queenstown-Lakes Community Housing Trust] has come from the value uplift. And arguably, the developers still are better off, because they were able to proceed with their developments, and they made money. This might be a slightly easier argument to make in Queenstown because the market has just gone so berserk, but I still think the same rules apply in Dunedin." – H5

Regarding the planning process framework, it was clear that housing provider participants feel that there are some unnecessary difficulties in the way that affordable housing projects are processed by Dunedin City Council. Some participants have had direct experience in this respect. Participants have suggested that a development advocate within Dunedin City Council staff might be able to assist the process of gaining planning consents.

"I think that specific navigators or advocacy-style soothers [might help in] getting those truly innovative things off the ground." – H2

“What would help would be making it easier from the red tape point of view, from the process point of view. Make that easier and more attractive.” – H4

5.1.2.3 Delivery of an Affordable Land Product

When the possibility of forming a trust organisation as a means of achieving affordable housing objectives, similar to the trust that is operating in Queenstown-Lakes District, was raised with the housing provider interview participants, there was a general sense that a not-for-profit organisation functioning at arms-length from Council might prove to be a useful tool as part of an affordable housing strategy. However, there was also a caution noted by one participant that care would need to be taken to ensure that the trust didn't just add another level of complexity to an already complex housing environment. One of the primary benefits of a trust, as informed by the housing provider interview participants, is the ability for that organisation to assess the local housing needs, and to design affordable housing programmes that are focused to those needs. A dedicated trust is thought to be able to offer programmes that are potentially more creative and effective than if these were to be developed from inside Council.

“I think there is a place [for a trust], but I'd hate to see something become an extra layer of bureaucracy.” – H2

“You need to do a comprehensive survey of renters and try and establish where the stress is, i.e. which income brackets, household typologies, that type of thing. Build a picture of the demand and then work from that, develop programmes that might work from that.” – H1

“Ultimately everyone I think has an ambition to own their own home. Security of tenure is a massive issue.” – H1

“So maybe you can provide a situation where people don't necessarily live in their own flat anymore, and we have more of these communal spaces in some areas, maybe in some older buildings. Communal kitchens, communal lounges, and everybody has their own bedroom.” – H4

5.1.3 PRIVATE DEVELOPERS

The interview participants from the private developer stakeholder group collectively share knowledge and experience in the role of developing land and houses for Dunedin City and Queenstown-Lakes District. These participants are familiar with consenting and construction processes, and with the financial aspects of development projects, including construction costs and levels of financial return. One member of this group has experience producing residential land parcels for the markets in both Dunedin City and Queenstown-Lakes District. Several group members have experience in both the provision of vacant land and the provision of completed housing. Several members of this group are involved in the marketing and sales processes, on behalf of development organisations.

5.1.3.1 Stress in the Housing Market

As with the previous two interview participant groups, the private developer participants were initially asked to comment on the nature of the stress that they see currently in the housing market, and the effects of this stress in terms of affordable housing issues. All private developer participants agreed that the housing market is presently under a great deal of strain and that housing affordability issues do exist in Dunedin City. The reasons for this are felt to be a lack of land supply combined with the recent population growth that the City has been experiencing, and the difficulty in obtaining consent for anything that does not fit within the policy expectations of the district plan. The impacts anticipated as a result of the increasing level of housing unaffordability include greater occurrences of homelessness and higher levels of crime.

“So, when you've got a constricted supply and very high demand, you have the most unaffordability. And the best way to achieve unaffordability is to cut the supply off – make it really hard to replace housing or to create new housing opportunities.” – D1

“It [the housing affordability problem] has all been brought on by lack of land. Simple as that, supply and demand.” – D2

“I've got lists of people who want houses and they're in that \$500,000 to \$600,000 bracket, but we can't do it for that now. But their expectations are still from about two years ago where you could buy a really nice house for \$480,000.” – D2

"A new build is never going to be an affordable house on the current market. Our greatest need right now is affordable rental housing." – D3

"It's been hard to get sections completed on the market. It's a big long process, it takes longer than ever to go from consent to completion. You've got more and more demand than ever because people are wanting to live there. So, what do you get? You get prices going up faster than the national average." – D1

"I'm seeing a perfect storm from every angle. You think that we've got a problem now, you wait five years if we don't do anything about this and you're going to have really big social issues. Even if you're just looking at it from the standpoint of being a person wanting to live in a functioning society, even if you own a house, even if you don't have any of these problems yourself. It will affect you because crime rates will increase, homelessness will increase. None of that stuff is positive for the community and it's bad for your conscience as well." – D4

"It [the hospital rebuild] is just going to displace people who, at the moment, are already on the edge of being marginalised and I see that the free market unfortunately is going to force rents up to the point where it's simply unaffordable to live in Dunedin, unless you're on a decent wicket. Certainly, there won't be many unemployed people who can afford to live in Dunedin." – D4

"This is really urgent - are we going to make a camping ground at the oval for all these people that are going to do the hospital rebuild?" – D3

5.1.3.2 Policy Response to Improving Affordability

Regarding the effectiveness of the current policy framework to provide for affordable housing outcomes, the private developer participants expressed an opinion that while there is presently some policy in place that appears to be working quite successfully in this regard there are also a number of areas in which existing policy is either not working efficiently or is simply missing. Some of the zoning changes brought about in the 2GP are seen as a step in the right direction (in terms of increasing land supply), however the fact that so many of these areas are under a lengthy appeal process is frustrating to developers. Several private developers also noted that the KiwiSaver scheme run by the government has been a highly effective method of enabling lower income households to

access a deposit for a house purchase, although one participant suggested that the KiwiSaver thresholds should be increased to keep pace with rising house prices.

"There are some quite good provisions in the 2GP for accommodating a higher density and higher intensity living. I think you would create more affordability because some of the infill housing options are quite interesting. The 2GP is great, but so much of it is under appeal. This is an acute problem, but we're dealing with it on a very long timeframe." – D4

"They [lower income households] have been accommodated quite nicely by KiwiSaver up to \$400,000. But now with the median sale price creeping up every week it's getting to the point where the quality of house you could get for \$400,000 is moving below the median and very quickly. The KiwiSaver band needs to extend to allow those people to get into a higher bracket" – D4

The private developer participants suggest that poor local policy includes the approach that Dunedin City Council has traditionally taken in terms of not providing sufficient land supply and in terms of not enabling non-traditional forms of development, the inclusion of certain performance standards in the 2GP that may be costly to achieve, and the ability for objectors to obstruct, delay or even cause a development proposal to be declined for reasons that are selfish or even vexatious.

"And that's what Council has tended to do here in Dunedin. They've kind of restricted land availability. Got a bit of a reputation of being a little bit difficult."
– D1

"Oh, there's a whole list of sites I've looked at and ruled out because the process is going to be too hard. I think every time I've made a list, there's about thirty-odd of these sites." – D2

"The DCC has put a new rule in the 2GP about everything [in South Dunedin] having to be relocatable. It's a blind rule across any street that may flood or not."
– D1

"It's just far too difficult when you're having to accommodate people whose interests are possibly, in my opinion, being over-valued sometimes, to the detriment of the community." – D4

"It would be interesting to see whether or not the powers of objection will be adjusted in the RMA review, because a significant part of this is the fact that a hardnosed nimby can affect housing affordability. Because they're privileged enough to have a position that they don't want devalued in the slightest, because that's their right. It does make it very difficult for the community." – D4

The planning process and engineering approval process applied in Dunedin City have also been criticised by local private developer participants. It is evident that all participants have had negative dealings with Council processes, and with the speed at which these are undertaken. Participants felt that having a coordinator within Council staff that could be approached to assist in navigating the consent and engineering approval processes could be valuable, although there is an element of cynicism that has been expressed in regard to this role also. Essentially, private developer participants would like Dunedin City Council to adopt an attitude that is more encouraging to, and supportive of, development activities.

"One of the big things that came out of the housing task force work is that Council needs to change its attitude right through. They need a can-do attitude. When someone brings a proposal to them, they need to say, 'Well we can do this, we might have to just make a few changes here and here but let's work through it and see how we can make it happen', instead of the finding every reason why it can't happen." – D3

"The main problem is that once we've got a resource consent, we then need to get an engineering consent out of the Council before we can actually get the contractors on site. We often struggle for months to get engineering consent." – D1

"I got transferred between four departments trying to find somebody who could explain to me the implications of converting [an older commercial building] to

residential accommodation and how the fire regulations would be caught up in that.” – D4

“What we need is someone that can make sure it [a consent application] gets from that department to that department to that department. So that it doesn't sit and waste time at one department because they don't know what they're doing. That sort of stuff needs to be stopped. We need one person who can push it through, not necessarily push it through, but make it go through at the pace it should be going through.” – D2

“It would be alright if there was somebody who was the coordinator of all things building related. It would be great to call them, and they say ‘I'm going to sort that out and I'm going to come back to you in writing’.” – D4

“But they promise it [a red-carpet service]. They keep talking about it. But, at the last meeting we had, he [the DCC officer] said ‘Oh nah, nah, we can't do that. It's too hard’. There's just too many barriers [to development].” – D2

Considering the application of land supply measures to address the demand in the housing market, local private development interview participants generally felt that the housing shortage presently faced in Dunedin City, including at the affordable housing submarket, could largely be resolved through the provision of adequate urban development capacity (combined with more enabling development processes). Having said this, one developer participant then noted that there could be a risk that an oversupply of land might encourage developers to take a more cautious approach to land development as a consequence of increased market competition. This could result in land-banking activities where some landowners chose not to develop their land immediately, preferring instead to wait for demand to again increase (with an expected corresponding increase in sales prices). When asked what level of premium that the current high demand is adding to vacant land prices, several private developer interview participants suggested that if adequate land supply was to be made available then section prices might drop to around \$200,000. Section prices for typical residential sites are presently close to \$300,000.

"The only way to really make sure that you don't have an unaffordability problem is to make sure you have good supply." – D1

"The idea in Dunedin is you start to try and encourage more and more new housing to be built, whether it be apartments or greenfields housing. Then people can move up the chain into the better housing, and this can create opportunities for people just starting to move into the entry level housing." – D1

"The issue with Dunedin is the supply doesn't exist. If you told me tomorrow that we could have 30 sections for a reasonable price, me and probably 10 other people I could name off the tip of my tongue would be in there building houses. And, if you said that the houses have to come out at below \$500,000 retail, we would make it happen. But good luck finding that land." – D4

"I think that would work [increased land supply], but you would need a flood of new land to bring it back. Then if there's a flood of land, people would also be wary about developing too much." - D2

"Land-banking's a really good idea – if you can't be bothered doing any development, then you don't need to. That creates an issue, and we've had a couple of issues with that in Queenstown, where people have just sat on land, just for their own advantage." – D1

"If we had an oversupply of land, I would speculate that vacant land prices would drop to closer to the \$200,000 mark." – D4

"I personally think it [vacant land prices] would drop it dramatically. I mean \$300,000 for a section now is just crazy. They need to get back down to under the \$200,000 mark for a reasonable section." – D2

Part of the reasoning that private developers believe adequate land supply is the most important method for addressing affordable housing is that by having a large capacity of land available for urban development private developers are better enabled to design and implement unique projects that can be targeted to meeting market needs, including affordable housing outcomes. It was apparent in the interviews with private developer participants that the private sector believes these needs are able to be addressed through

commercial responses to market demands, and that the private sector itself is already responding to these demands. Several participants felt that affordable housing outcomes should be driven by the market, rather than through a prescribed policy pathway, which might not necessarily provide the range of housing options needed to cater for all of those in need. Two private developer participants described affordable housing initiatives that they have incorporated into their own recent land development projects, as examples of market-led outcomes.

"We have our own system. We don't allow people to buy multiple sections, and we target the families in the area and give them first option. We seem to be getting sections into the right hands." – D1

"We're doing this now with one couple and it's brilliant. They couldn't get a mortgage to get into the house, so we've sold them the house at today's rate with settlement in 5 years, and we've leased it to them at a flat rate of \$500 a week for the 5 years. So that gives them a chance, they know that the house can be theirs at the end of 5 years. Their wages will go up, the house value will go up to about \$600,000 so then they will have a 20% or 25% equity in the property. They can use this equity and their KiwiSaver to purchase the property. I'm happy because they're paying me interest as part of the rent all the way through. They're looking after the house and they pay the rates and insurance. It is their house, and at the end of 5 years they can purchase it or we can renegotiate. I have no way of getting out of it." – D2

"We've been talking to Presbyterian Support and there will be a few others we'll talk to. We're hoping that we can get the one-bedroom units, which are about 60 square meters, and the other units, which are about 70 or 80 square meters for a two-bed, down to about \$300 and \$400 a week in rent. The build cost of these will end up being around \$350,000-400,000 with the land, which is going back to where we were in the earlier days, when house sizes were around 90 square meters." – D2

"You need a constant greenfields supply of property to provide the 600-800 square meters sections, which are still what people want. People still want houses for families, to raise families with a back yard." – D1

Private developer participants were asked whether there were any other mechanisms, beyond increased land supply and improved consenting pathways, that could be applied as a method to provide more affordable land and/or affordable housing. There were mixed views offered about the use of apartments and shared living arrangements as a means to address affordable housing, while financial assistance from the government and greater availability/security of bank lending were seen as important ways in which development could be supported. The use of inclusionary zoning principles was generally disparaged by private developer participants, who viewed these as adding an unnecessary level of cost and complexity, however when combined with density bonusing incentives the idea of inclusionary zoning appeared to become more palatable. There were mixed thoughts on whether a housing trust could be an effective vehicle for delivering affordable housing outcomes in Dunedin City.

Considering apartments and shared living arrangements, several private developer participants thought that if different forms of development were to be suitably enabled, this would support affordable housing outcomes. Such non-traditional forms of development might include communal living arrangements within housing complexes and subdivision design that provided for shared-amenity areas (thereby allowing smaller site sizes for housing). However, several private developer interview participants outlined difficulties in building some forms of apartment and/or communal living structures, particularly where these involve the conversion and renovation of older buildings. It was also suggested that there is a risk that apartment blocks can create future social issues if not properly maintained and managed over time.

“The ‘Abbeyfield’ type of development, I believe there is also a need for more of those. Everyone has a good size room with an ensuite. They have a communal living area and they have a meal cooked for them every night. That [form of living] is going to transition people out of those two-bedroom units before they need to go into care. So, it’ll free up more of the housing that we need.” – D3

“It’s a fascinating alternative as well, where you don’t have exclusive use of the lot, but you have shared use of the lot. And that’s maybe one of the things that we need to be looking at more, is do we have better public spaces and then people don’t expect to have a quarter-acre?” – D4

“Apartment buildings are really difficult, really complicated. The building rules around multi-story, and lifts, and compliance, and fire, etc., it's not for the faint-hearted. And it's hard to bank. Banks don't want to know about apartment buildings.” – D1

“I guess that higher density apartments could be considered, but Dunedin's always had a wee problem about going up – that stuff isn't affordable, because you've often got to earthquake strengthen them and fix the ground where it has sunk. That's why it all high-end boutique stuff. Creating affordable housing out of old buildings just isn't an option, I don't think.” – D1

“I've seen flats all around the world, and they can be really scary when they're 5 or 6 years old. People don't look after them. Which is why it would be better if there's something that was completely managed. Smaller units maybe, even if they were leased or owned type setups.” – D2

Regarding financial mechanisms, private developer participants certainly do not believe that imposing additional costs onto development projects, as a mechanism to fund contributions for affordable housing, would result in a positive outcome on housing affordability. More likely, additional costs would simply result in less development activity happening and this would be expected to have an opposite effect on house prices. Private developer participants prefer the concept of the government and/or local authority instead encouraging development activities by offering financial incentives. In particular, one significant area that the government could help with in Dunedin City would be the provision of funding to address the difficult infrastructure issues that exist in the region. It was also suggested that the local authority could reduce the scale of its development contribution charges for certain types of desirable development, although while this would be helpful, it was recognised that this might be a relatively modest financial incentive. The difficulty in securing bank funding for development activities was seen as an impediment to many projects, but no methods to improve this were suggested. Finally, several private development interview participants took time to note that their businesses can be stressful, and their profits highly uncertain. Overall, all private developer participants generally expressed a genuine desire to be engaged in the provision of affordable housing capacity, provided that the initiatives implemented are well-designed, appropriately balanced, and are not overly complex.

"The government can have a direct impact if they were to fund more infrastructural development. Would it not be an obvious place to start, to try and get national funds to encourage some of this?" – D4

"It can be difficult to secure bank funding, and this has been a real challenge to developers more recently. Banks just haven't got any interest in it. So, securing funding is hard as well as securing land." – D4

"It's quite stressful, believe it or not. We don't get paid until it's all finished. That's the risk we take." – D2

The concepts of inclusionary zoning and density bonusing were raised with the private developer interview participants. Inclusionary zoning, by itself, was for the most part seen as an unnecessary imposition on development, most likely resulting in either the sale prices of some sites becoming more expensive in order to balance the sites that were selected to meet affordable housing obligation, or potential projects simply being abandoned due to becoming commercial unfeasible. In this sense, inclusionary zoning policy is seen to be a potential obstacle to development, creating both cost implications and complexity implications. Several participants also recognised the opportunity for the surrounding community to oppose the use of inclusionary zoning principles out of concern that lower-value houses located in their neighbourhoods might generate a negative impact on their own properties.

"Because most [inclusionary zoning] mechanisms rely on the other people in that subdivision paying a little bit more, so that there's a few that can pay a little bit less." – D1

"You could say, 'Okay, we're going to put a tax on all new developments so that 10% of their housing goes to a housing trust'. But I think that would create the opposite effect, a) it will create less people doing development stuff, and b) it will make the other 90% of the housing in that particular development more expensive." – D1

"You don't want to discourage the guy that's actually creating the solution to the problem, you want to encourage them. So, any measures you'd make, any

complications you make that from the RMA down to ridiculous planning rules, it just takes away from supply.” – D1

“I believe you’ll end up with the nimby’s that say, ‘we don’t want those type of houses beside our brand new, architecturally designed this-and-that’. So, it’s about doing it [inclusionary zoning] in a sensitive way that doesn’t devalue the other properties in that site.” – D4

However, private developer participants responded with more enthusiasm when the concept of density bonusing, as an add-on to inclusionary zoning, was discussed. This would allow a greater number of houses to be built in a particular area than would normally be permitted, provided that a certain number of houses are designed to satisfy identified affordable housing outcomes. Participants felt that if the policy could be constructed in such a way as to enable a comparable, if not improved, financial result from the development project then this could be a relatively attractive proposition. Essentially, it was recognised that an increased density allowance could be used to generate uplift in the land value, and that a well-designed policy should be able to distribute this value uplift between the community, the developer and other stakeholders. Private developer participants expressed a view that much of Dunedin City could support a greater density of housing development.

“Brownfields development is incredibly appealing from a developer’s perspective. That’s what we’re looking for all the time because the stuff in existing suburbs is gold. But it’s really hard securing side by side sites, and it’s often pretty inefficient because you’re still paying far too much for the land. If there was some way of taking a little bit of a hit but on the understanding that there’ll be an increased density, that sounds like a win-win.” – D4

“The other thing that Council needs to be looking at is more two to three hundred square metre pieces of land, and allowing people to do 80% site coverage on them, and building some higher density town house stuff. Because it takes up less space, people are comfortable living like that.” – D4

5.1.3.3 Delivery of an Affordable Land Product

Regarding the establishment of a housing trust for Dunedin City, a number of the private developer interview participants indicated that a not-for-profit organisation might be an effective vehicle to manage and advance affordable housing outcomes. This was qualified with the ideas that there would have to be an identified need for an organisation of this nature, and that the organisation would need to be able to function in a responsive and efficient manner. One private developer participant noted having had some experience in dealing with the Queenstown-Lakes Community Housing Trust, and suggested that the establishment of a housing trust might not be an appropriate mechanism for Dunedin City. In particular, concern was expressed over the difficulty in identifying those households who are most in need to receiving affordable housing assistance, and whether a not-for-profit trust is best positioned in the market to be able to do this.

"I think that [a housing trust] is a very good idea." – D3

"A trust would be much healthier. I think people would be somewhat cynical if it was run from within the Council. If the money goes to the Dunedin City Council people would just see it as going to a slush fund." – D4

"A trust can provide tangible results and then the community can go, 'Yeah, we have got 40 houses as a result of that' and everyone can feel proud of it. And it can be independently audited and I reckon that does make a lot of sense. It would be the way to do it." – D4

"I can't see that's there's any [inclusionary zoning] mechanism that works. The QLDC have tried to do it through their affordable housing trust, but in my experience all it's helped is the people that don't need helping." – D1

5.1.4 SUMMARY OF KEY INFORMANT INTERVIEW LEARNINGS

Interview participants have provided a wealth of knowledge to inform this study. Many of the opinions offered show a consistent perspective, however there are also contrasting opinions in some areas. Table 18 below describes the principal findings from the key informant interviews that have been conducted. These are displayed as a series of

considerations, against which the opinions of each of the 13 interview participants are indicated. Opinions are marked according to the symbols below:

- ☒ Participant agreed with consideration.
- ☐ Participant did not have a strong opinion on the consideration.
- ☒ Participant disagreed with consideration.
- ☐ Participant did not have an opportunity to consider the consideration.

Following Table 18, the next section of the study describes the site observations undertaken at a number of affordable housing projects in Queenstown-Lakes District.

Table 18: Summary of Key Informant Learnings.

Consideration		Local Authority Planners (4)	Housing Providers (5)	Private Developers (4)	Learnings
Stress in the Housing Market	There is a lack of affordable housing resource in Dunedin City.	☑☑☑☑	☑☑☑☑☑	☑☑☑☑	Clearly, all interview participants believe that there is a present issue with the availability of affordable housing within Dunedin City, and that this issue is expected to worsen over the foreseeable future. None of the 13 interview participants offered an alternative view on this.
	The housing market in Dunedin City is expected to become more stressed over the foreseeable future.	☑☑☑☑	☑☑☑☑☑	☑☑☑☑	
Policy Response to Improving Affordability	Central government has a responsibility to provide mechanisms that will improve housing affordability.	☑☑☑☑	☑☑☑☑☑	☑☑☑☑	All participants feel that central government has a significant role to play in the response to affordable housing. Participants generally feel that Dunedin City Council has a responsibility to develop policy that is designed to achieve desirable affordable housing outcomes, however about a third of participants, spread across all interview groups, were not certain in this regard.
	Local authorities have a responsibility to provide policy that will improve housing affordability.	☑☑☑ ☐	☑☑☑☑ ☐	☑☑ ☐☐	

Policy Response to Improving Affordability	The provision of additional residential land capacity will help to address housing affordability.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Most participants feel that additional residential land capacity will help to address housing affordability within Dunedin City. Interestingly, the majority of the participants from the housing providers group are cautious about this potential. The result changes when considering whether additional land supply by itself will be an effective response to affordable housing issues. Only three participants agree with this consideration, one of the local authority planners and two of the private developers. The remaining two private developers are uncertain, and all others disagree. This is an important finding as it supports the concept that targeted mechanisms may be required to achieve effective affordable housing solutions at the point where community and household needs are greatest.
	Additional land supply will be a sufficient response the affordable housing problem without needing other methods as well.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Affordable housing outcomes could be achieved through relaxation of existing planning policy.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Interview participants are fairly agreeable in respect of the potential for relaxed planning policy and relaxed planning process requirements to provide helpful affordable housing outcomes. A single participant, one the local authority planners, feels that planning processes are presently satisfactory. On balance, it would appear that improvements made to these planning activities may be well received by stakeholders.
	Affordable housing outcomes could be achieved through relaxation of existing planning process.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="radio"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	

Policy Response to Improving Affordability	Mandatory inclusionary zoning provisions could be used to achieve affordable housing outcomes.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<p>Clearly, there are two different propositions here. The first consideration, which suggests that a mandatory inclusionary zoning policy might be effective, is split. The local authority planners have mixed opinions about this; the housing providers are either supportive or uncertain, and the private developers oppose this idea. With this range of stakeholder opinions, it may be difficult to achieve a workable policy based on mandatory IZ.</p> <p>The second proposition is the use of a voluntary inclusionary zoning policy that is incentivised with a density bonusing provision. This proposition finds broad support across the range of interview participants, although two of the private developers remain uncertain. It would appear that there is scope for Dunedin City Council to consider developing a policy of this nature, which might find favour with stakeholders. However, the community's view on inclusionary zoning and density bonusing is, at this time, unknown and will require further research.</p>
	Voluntary inclusionary zoning provisions, with density bonusing incentives, could be used to achieve affordable housing outcomes.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Affordable housing outcomes could be achieved through reduction in local authority consent and development contribution charges.	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<p>There is cautious support in regard to the consideration that a reduction in consent and development charges would be an effective method to promote the delivery of affordable housing. Several participants feel that the cost savings would need to be meaningful for this option to be effective.</p>

Policy Response to Improving Affordability	The affordable housing policy that has been implemented in Queenstown-Lakes District has been effective.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	For the most part participants agree with this consideration. Several participants are uncertain, although this generally comes from a position of not being particularly familiar with Queenstown-Lakes District policy. One private developer is opposed to this consideration, and holds the view that the policy in Queenstown-Lakes District has made land development more complicated and affordable housing outcomes less efficient. Other than the single disparate view, it would appear that the participants are generally of the opinion that the response implemented in Queenstown-Lakes District to affordable housing issues has been relatively effective.
Delivery of an Affordable Land Product	An affordable land policy could be successfully implemented in Dunedin City if carefully designed.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Clearly, the interview participants are in reasonably close alignment with this consideration. In principle, it would appear that there is scope for an affordable land policy to be developed, although most participants feel that this would need to be carefully designed so as to be acceptable to all stakeholders.

Delivery of an Affordable Land Product	The delivery model for an affordable land policy would be most effective if it offered a range of products to suit different needs.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="radio"/> <input checked="" type="radio"/>	This consideration suggests that an effective affordable land policy should make provision for a range of delivery options. As an example, the Queenstown-Lakes Community Housing Trust has developed four different affordable housing programmes, including shared-equity ownership and subsidised rental options, which suit the different needs of their community. It is very possible that the Dunedin City community will also have a range of different needs, and interview participants generally felt that a number of programmes might be needed to provide effective outcomes.
	It would be preferable for the delivery of affordable land to be managed by a trust or not-for-profit organisation rather than from within the local authority.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	Interview participants were all either agreeable that the delivery structure for a Dunedin City affordable land policy should be administered by a trust or not-for-profit organisation, or were uncertain in this regard. None of the interview participants disagreed with this consideration. There are various reasons for this view, but two notable reasons are transparency and access to government funding (both of which might be compromised if delivery of the programmes was to be undertaken from within Dunedin City Council).

Delivery of an Affordable Land Product	The policy and delivery mechanisms should be developed in collaboration with all of the affordable housing stakeholders.	✓✓✓✓	✓✓✓✓✓	✓✓✓✓	Very clearly, all participants agreed that the development of any affordable land policy and delivery mechanisms would need to be undertaken in collaboration with the relevant stakeholders. This view came through very strongly in the interviews. There is a risk that if a collaborative approach is not taken, the resulting policy may not receive the buy-in that is necessary from housing providers and the private development sector in order for the initiative to be successful.
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5.2 AFFORDABLE HOUSING SITE OBSERVATIONS

Site observations were made of three affordable housing developments that have been recently completed within Queenstown-Lakes District. These developments are located at Cherwell Lane and Nerin Square, both in Queenstown, and at Suffolk Street, in Arrowtown. The purpose of these site observations is to enable an assessment of the form and quality of several different affordable housing projects, and to see how effectively these units have been integrated into the surrounding urban environment. The study subsections below describe each of the three sites visited, and discuss how these sites appear to have contributed to affordable housing outcomes within the case study region.

5.2.1 CHERWELL LANE, SHOTOVER COUNTRY, QUEENSTOWN

Cherwell Lane is a small street located within the Shotover Country neighbourhood. The neighbourhood is spread across several flat terraces near the confluence of the Shotover and Kawarau Rivers, at a distance of approximately 10km from the centre of Queenstown. Cherwell Lane provides access to twelve properties, which range in size between 219m² and 1,045m². During the subdivision process, six of the twelve sections were gifted to the Queenstown-Lakes Community Housing Trust as part of the agreed affordable housing obligations for the Shotover Country development. These sections were transferred to the Trust as vacant land parcels.

In early 2019, the Trust completed the construction of new 2- and 3-bedroom homes on each of the six Cherwell Lane sections. These homes are now operated as part of the Trust's Secure Home programme, and are fully occupied by eligible recipient households.

Figure 17 to Figure 19 below (taken in July 2019) show the form and functionality of the houses that occupy Cherwell Lane.



Figure 17: Looking west along Cherwell Lane.



Figure 18: Looking east into Cherwell Lane.



Figure 19: Several homes in Cherwell Lane.

The most striking aspect of the Trust's affordable housing units in Cherwell Lane is the success at which these homes have been seamlessly integrated into the existing neighbourhood. The homes all appear to be of a quality, form and usability that is equal to that of the houses contained within the surrounding neighbourhood areas. It was impossible to identify from site observations alone which of the twelve houses located in Cherwell Lane are the six homes that have been built by the Queenstown-Lakes Community Housing Trust, and in this sense, the Cherwell Lane affordable housing project appears to be an effective example of inclusionary zoning principles having been successfully implemented.

5.2.2 NERIN SQUARE, LAKE HAYES ESTATE, QUEENSTOWN

The Nerin Square affordable housing project, completed in stages between 2011 and 2013, comprises 27 two-storey homes gathered together at a central location within the Lake Hayes Estate neighbourhood near Queenstown. As with the previous site, the Lake Hayes neighbourhood is situated on generally flat, terraced land. The neighbourhood is located at a distance of approximately 15km from the centre of Queenstown, and adjacent

to the Kawarau River. A site plan for part of the Nerin Square affordable housing project is shown in Figure 20 below.



Figure 20: Plan of 22 of the 27 affordable housing units at Nerin Square.

Property sizes in the Nerin Square affordable housing project range between 241m² and 416m². The average house size within the site is 157m². The project land is positioned in one corner of the 'square', a landscaped public open space, and is adjacent to a playground and sports field area. The neighbourhood design concept includes the establishment of a child-care centre and café in one corner of the affordable housing development, and an open shared-amenity space close to the centre of the affordable housing development.

Funding for the Nerin Square affordable housing development was achieved principally through inclusionary zoning financial contributions received by the Trust from private development projects elsewhere within the Queenstown-Lakes District. This funding enabled the Trust to purchase the Nerin Square land and to construct the new housing units in a manner considered to be a suitable method of achieving the Trust's affordable housing mandate. The Nerin Street homes are operated by the Trust as part of the Rent Saver program.



Figure 21: Looking at the Nerin Square affordable housing project from the 'square'.



Figure 22: Several of the affordable homes located within the Nerin Square project.



Figure 23: Several of the affordable homes located within the Nerin Square project.



Figure 24: Looking over the internal open shared-amenity space at Nerin Square.

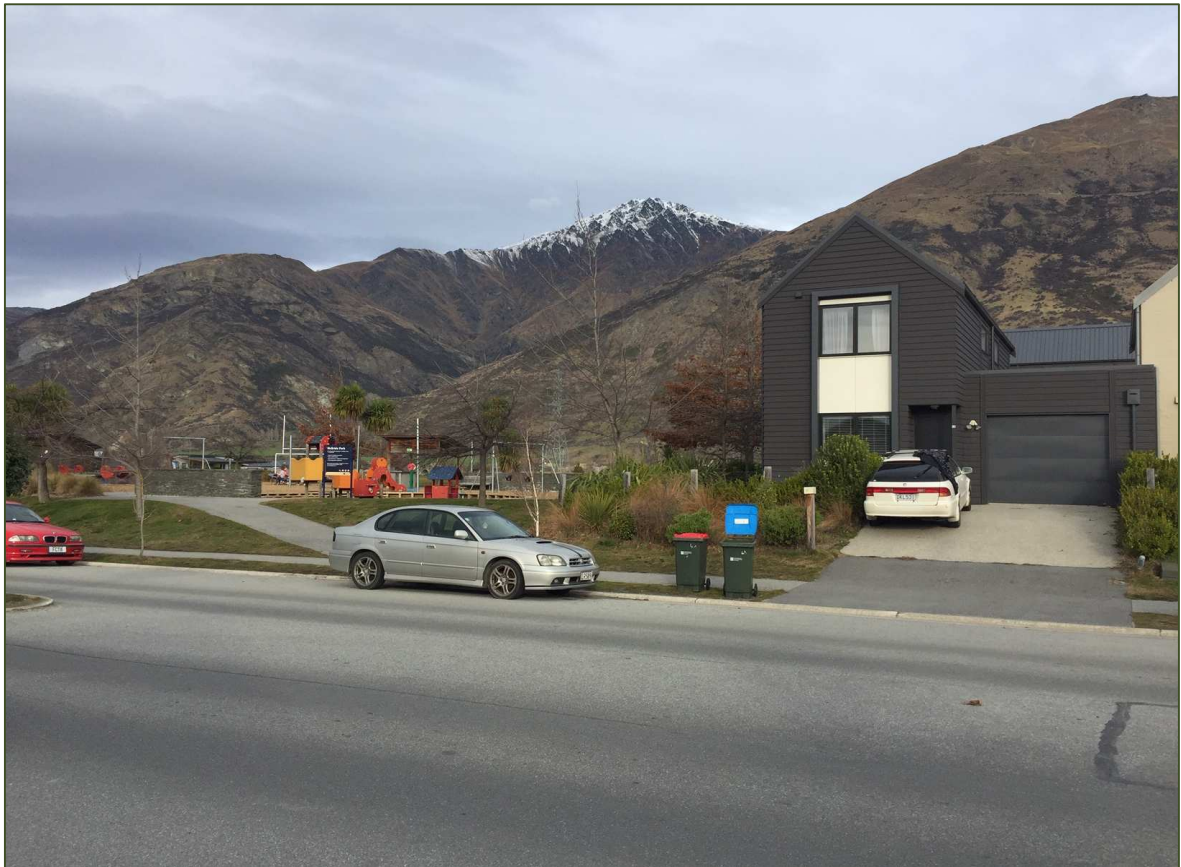


Figure 25: Looking at one of the Nerin Square homes and the adjacent public park.

Figure 21 to Figure 25 above (taken in July 2019) show the form and functionality of the homes that occupy the Nerin Square affordable housing project.

The Nerin Square affordable housing project is interesting because it has clearly been designed to be a comprehensive and distinct mixed-use neighbourhood. Units in this development are noticeably different from the houses on the surrounding properties, which exhibit more traditional stand-alone, single-storey houses, each with a conventional quantity of exclusive outdoor space. Quite noticeably, the affordable homes in the Nerin Square project are rendered as a collection of closely-knit, multi-storey houses, which are all reasonably consistent in form and materials, and which possess only relatively small areas of exclusive open land. However, while this arrangement might look out of place if undertaken on a smaller scale, for instance with only a handful of units, the relatively large size of the Nerin Square development has clearly enabled the Trust to incorporate, to good effect, a range of modern urban design principles into the development, including the use of adjacent and internal open space amenity areas, and the inclusion of associated commercial activities. Presumably these measures have been introduced in part as a means of offsetting or softening what might otherwise have been

a dominant built form. This arrangement noticeably contrasts with the Cherwell Lane project, in which there appears to have been a conscious design intention for the affordable housing units to integrate imperceptibly with the surrounding residential landscape.

5.2.3 SUFFOLK STREET, ARROWTOWN

The affordable housing project undertaken in Suffolk Street, Arrowtown, comprises the redevelopment of an existing urban land block located near the centre of the township into ten affordable housing units. The development was undertaken in two stages, between 2015 and 2016. Prior to the development, the project land was owned by Queenstown-Lakes District Council and contained a number of old and dilapidated cabins that were used as short term rentals. The Council determined to transfer the land to the Queenstown-Lakes Community Housing Trust so that the poor-quality housing could be replaced with a new affordable housing resource that was better suited to the needs of the community.

All of the affordable housing units within the Suffolk Street project are operated by the Trust as affordable rental properties, with two of them set aside for Senior Housing. The units are mostly stand-alone units (two pairs of units share a short section of attached wall), and they are all single-storey structures. The units have not been subdivided onto separate tenures and instead exist within a single common certificate of title.

The project land borders Jack Reid Park (a local rugby ground) and also contains an open amenity that provides a public access buffer between the new units and the adjacent Inverness Crescent road corridor. Excluding the publicly accessible areas, the development covers a total area of just over 4,000m² (the average land area per unit is therefore approximately 400m²).

The Suffolk Street affordable housing development is remarkable for several reasons. First, it is apparent that the architectural style of the new units has been designed in consideration of the historical form of the township. The original 'cabin' appearance, which is a heritage feature of the Arrowtown township (dating back to its gold-mining days), has been imitated in the simple shapes and rooflines used, although clearly the new units have been constructed from modern materials. The overall built configuration of the

development is not out of keeping with its surrounding urban environment or the wider township, and to this end it would appear that the affordable housing development has been intended to function as an integrated inclusionary zoning project, similar to Cherwell Lane, rather than a distinct collection of houses built to achieve affordable housing purposes in a particularly efficient manner as has occurred in Nerin Square.

Second, the Suffolk Street development is unlike both the Cherwell Land and Nerin Square developments in the sense that it has involved the redevelopment of an existing urban resource rather than being one component of a newly developing neighbourhood. The significance of this is important as there is evidence of community opposition to the Council's decision to transfer the underlying land and property to the Trust in support of the redevelopment. It would seem that where the development of affordable housing within new urban neighbourhoods is often supported by the community, there are times, with the Suffolk Street redevelopment demonstrating this, where the opposite effect can occur. In these instances, certain parts of the community may feel that the proposed development has the potential to generate adverse impacts within the established urban environment that surrounds the site.



Figure 26: Looking east along Suffolk Street towards the affordable housing project.



Figure 27: Looking west along Suffolk Street towards the affordable housing project.



Figure 28: One of the Suffolk Street houses and the adjacent open public area.



Figure 29: Looking along the access into the units at the rear of the Suffolk Street project.

Figure 26 to Figure 29 above (taken in July 2019) show the form and functionality of the homes that occupy the Suffolk Street affordable housing project.

In an article published in the Otago Daily Times (Gilchrist, 2013), it is reported that of the 263 submissions received on the Suffolk Street affordable housing proposal, roughly two-thirds opposed the decision by Council to gift the land to the housing trust. The reasons for this opposition included the idea that the project was economically flawed (i.e. that the value of the centrally located land could be better used for other purposes) and the idea that project might attract undesirable tenants to the township (the inference being that the community would suffer a loss of amenity values, and possibly property values, as a result). Despite these objections the project was allowed to proceed, and by all appearances it looks to be a successful resource for the Trust.

5.2.4 SUMMARY OF SITE OBSERVATION LEARNINGS

Table 19 below describes the principal learnings from the site observation research.

Table 19: Summary of Site Observation Learnings.

Site	Strategies Used to Achieve Affordable Housing	Affordable Land Policy Contribution	Learnings
Cherwell Lane	<ul style="list-style-type: none"> • Land gifted for affordable housing purposes by developer. • Units built by QLCHT using raised funds. • The units are modest in size. • The units have been designed to match the character of the surrounding neighbourhood. • The units are operated as part of the Trust's Secure Home programme. 	<ul style="list-style-type: none"> • The affordable land policy in Queenstown-Lakes District has enabled the subject land parcels to be gifted to QLCHT as part of the consented private development. • The Trust has been able to allocate funds for the construction of the six units from cash contributions and the sale of land delivered through the affordable land policy from private developments at other locations. 	<p>QLCHT has been able to benefit from the value uplift of the development land, captured when the new Shotover Country residential zone was established. This meant that the provision of some affordable housing sites could be promised by the developer, while still leaving sufficient scope for financial returns.</p> <p>There is little impact on the neighbouring properties from these affordable housing units as they are essentially indistinguishable from other houses and because they were built while the community was itself still becoming established.</p>

Nerin Square	<ul style="list-style-type: none"> • Land gifted for affordable housing purposes by developer. • Units built by QLCHT using raised funds. • The units are modest in size. • The units have been designed to make efficient use of the land available. • The units are operated as part of the Trust's Rent Saver programme. 	<ul style="list-style-type: none"> • The affordable land policy in Queenstown-Lakes District has enabled the subject land parcels to be gifted to QLCHT as part of the consented private development. • The Trust has been able to allocate funds for the construction of the new units from cash contributions and the sale of land delivered through the affordable land policy from private developments at other locations. 	<p>QLCHT has been able to benefit from the value uplift of the development land, captured when the Lake Hayes Estate residential zone was established. This meant that the provision of some affordable housing sites could be promised by the developer, while still leaving sufficient scope for financial returns. The Trust has been able to maximize the number of units on the land by making these 2-storey (thereby reducing their ground footprint).</p> <p>The site is located next to a commercial café, several open public spaces, and includes an internal open common space, which together provide a spacious and pleasant environment.</p> <p>The affordable housing development has been designed in a manner that its scale (27 units), while obvious within the local community, does not dominate the environment.</p> <p>There is little impact on the neighbouring properties from these affordable housing units as they were built while the community was itself still becoming established.</p>
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Suffolk Street	<ul style="list-style-type: none"> • Land gifted for affordable housing purposes by local authority. • Units built by QLCHT using raised funds. • The units are modest in size and replace old poor-quality rental homes. • The units have been designed to match the historical character of Arrowtown. • The units are operated as part of the Trust's Rent Saver, Affordable Rental and Senior Housing programmes. 	<ul style="list-style-type: none"> • The affordable land policy in Queenstown-Lakes District has supported the decision by the local authority to gift the subject land to QLCHT. • The Trust has been able to allocate funds for the construction of the new units from cash contributions and the sale of land delivered through the affordable land policy from private developments at other locations. 	<p>With the land being gifted to the Trust, the cost of the development has been reduced to only the demolition of the old homes and construction of the new units.</p> <p>This development shows how affordable housing projects can provide the secondary benefit of replacing poor-quality housing stock with new stock.</p> <p>Even though the new units have been designed to match the character of the local setting, the affordable housing development did receive a significant number of public objections. Some of these objections related in principle to the land gift between the local authority and QLCHT, while other objections were opposed to the potential for 'undesirable' people to move into the established residential neighbourhood and the effect that this might have on surrounding land and amenity values.</p> <p>A range of affordable housing programmes can be offered as part of the same housing development.</p>
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6 DISCUSSION AND RECOMMENDATIONS

This chapter of the study intends to connect the primary research results with the existing body of knowledge that has been discussed in detail through the research context and Dunedin City setting chapters. The first section of this chapter begins by discussing the relevant research themes, linking these to the original research objectives, before providing a summary of the key research results. It finishes by describing a number of recommendations in relation to how the City might approach the implementation of a policy response to mobilising land for affordable housing from private development projects.

6.1 DISCUSSION

The discussion subsections below consider the consistencies and contradictions that exist between the primary research learnings and the knowledge compiled from the research context and Dunedin City setting chapters of the study. The headings used are designed to compile various discussion themes into bands of knowledge that can be used to answer the three original research questions. This discussion begins by reviewing the issue of stress in the Dunedin City housing market, before moving into a discussion of how a policy response might be framed to enable greater affordability, and finishes by looking at how an affordable land product might be delivered as a component of private development projects.

6.1.1 STRESS IN THE HOUSING MARKET

There is a consistent theme through all of the research undertaken in this study that Dunedin City is presently suffering the effects of a high level of housing stress, with demand for housing significantly outstripping the rate at which the development market is producing new homes. The reasons for this have been described in chapter 4, and are supported by the primary research findings outlined above, in which all participants are in complete agreement.

It is clear that this housing stress is leading to an increase in housing unaffordability across Dunedin City. This is shown through the periodic assessments made by Demographia, and the analysis of current house price and household income data

undertaken in section 4.2. Primary research has confirmed that housing unaffordability is has been contributing to social problems within the study region. This is perhaps not altogether surprising, as these findings are generally consistent with information that is publicly available, including the recent report prepared by the Mayor's Task Force for Housing and a broad number of media articles that have been published both locally and nationally over the last several years (for instance; Miller, 2019; Block, 2019).

However, what is perhaps most interesting in the findings of this study is the extent to which housing unaffordability affects different household income bands. There is a very clear proposition offered by this research that housing unaffordability is significantly greater for those households in the lower two quintile income bands than for households with incomes in the higher bands. The existence of this disparity itself might have been a reasonable speculation to make, and is in fact supported by the primary research findings, however the knowledge that the lowest income band quintile (0%-20%) has a price-to-income ratio that is almost twice the overall median price-to-income ratio (12.3 compared to 6.2), and that the next income band quintile (20%-40%) has a price-to-income ratio that is more than 40% higher than overall median price-to-income ratio (8.8 compared to 6.2), demonstrates a significantly higher housing unaffordability spread across the various income bands than might have been expected.

The subsections below discuss the anticipated future housing demand and a number of potentially useful targeted intervention mechanisms.

6.1.1.1 Future Demand

By all accounts, the demand for housing in Dunedin City is expected to increase over the foreseeable future. This is supported by the material described in section 4.3, related to future housing needs, and includes drivers such as the trend towards smaller household sizes, increases in the City's population due to labour demands from the hospital rebuild and other large infrastructure projects, and the potential for households to relocate from properties that are impacted by sea level rise issues in South Dunedin. The anticipated increase in housing demand has been confirmed through the primary research undertaken.

On the other side of the equation, there are some plans underway to tackle this demand through enabling an increase in housing supply. These plans include KiwiBuild (and whatever form this programme might be recalibrated to), the actions contained in Dunedin City's recently adopted housing action plan, and the local authority's Variation 2 review initiative, which is currently looking at how the Second-Generation District Plan (2GP) might be modified to provide for greater urban capacity.

In general terms, future demand will clearly be a function of the above dynamics. Ignoring KiwiBuild for a moment (the KiwiBuild initiative has proved to be a fairly negligible proposition for Dunedin City to date), is it realistic to anticipate that the mechanisms introduced through the housing action plan and the Variation 2 process will adequately address the future housing demand, or better yet will these impact the market to the extent that the current level of demand is reduced to a more sustainable level? This question can only be answered in time, and will depend on how committed Dunedin City Council is to showing leadership in actively advancing the actions described in the housing action plan and to what extent the Variation 2 review is able to introduce more effective development-enabling provisions into the 2GP. It is relevant to also note that the Variation 2 process will, by necessity, include a public participation element, and accordingly will be influenced by community views. It can be anticipated that this will include both supporting views and opposing views, and there is a very real possibility that the final form of Variation 2, as adopted into the district plan, might well be significantly different (and potentially less effective) than the form initially proposed. This uncertainty is demonstrated by the PC24 process undertaken in Queenstown-Lakes District.

There have been mixed responses amongst the primary research findings in respect of the ability for the supply initiatives noted above to satisfactorily meet the future housing demand. While increased land supply, as promoted by Variation 2 and supported by the housing action plan, is seen as an important aspect of addressing the current housing demand issues (the primary research findings were consistent in this respect), there are also elements of the findings that question whether Variation 2, in its final form, will do enough in respect of introducing sufficient new urban land supply. Similarly, concerns have been expressed as to whether Variation 2 will introduce any provisions that are targeted towards enabling the supply of a particular type of housing, in this case

affordable housing, and how committed the local authority will be to developing an improved pathway for consent and engineering approval processes.

With this in mind, the formation of policy designed to stimulate house construction should perhaps not be viewed in simple 'one-market' terms. Demand and supply markets exist for a variety of submarkets, with affordable housing being only one of these (others submarkets could include housing typologies, geographical regions, etc.). Consideration of the affordable housing submarket, possibly defined through the use of household income parameters, and the evaluation of whether this submarket requires specialised intervention, is in many ways the critical decision that Dunedin City needs to contemplate.

6.1.1.2 Intervention Targeted to Affordable Housing and Affordable Land

As noted above, intervention activities in the general housing market, through the housing action plan and Variation 2 initiatives, are currently underway. In this respect, the City has already determined that intervention is necessary to address the impacts of housing stress within the region. All indications to date are that these forms of intervention are likely to rely heavily on increased urban capacity options, i.e. changing the zoning of identified blocks of land into a residential zone format and/or increasing the development intensity allowable within certain blocks of existing residential zoned land. There is no question that this will assist housing supply to meet the current and future demand in a general sense, however some thought needs to be given to whether relying on these general measures will result in a positive change to housing stress that exists in the affordable housing submarket. If not, then is some form of targeted intervention required to ensure that the demand present in the affordable housing submarket can also be addressed?

This is a subjective question, and the answer may very likely require further research to be undertaken (including consultation with members of households that exist within the lower income quintiles). However, if we look at the evidence of this study we can speculate on an answer. First, we know that the lower two household income quintile bands are currently experiencing housing unaffordability that is significantly higher than the citywide median. Second, there is an expectation that without intervention the housing market will become more stressed and consequently the housing affordability situation will worsen over the foreseeable future. Third, we have a fairly good

understanding from the literature by Austin, Gurran and Whitehead (2014), Jowett (2015) and Freeman and Schuetz (2017), and from primary research undertaken by this study, that issues associated with housing unaffordability, such as homelessness and overcrowding, are likely to rise within the subject region as housing unaffordability worsens. Fourth, the literature by Hui, Leung and Yu (2014), Costello and Rowley (2010) and Tse (1998) suggests that a simple land supply approach to address housing affordability issues may not be an effective response measure by itself, with house prices influenced more significantly by other market conditions. The last of these four concepts is in fact supported by previous assessments made in Dunedin City, which confirm a divergence between the City's growing demand/need for smaller, lower-cost units and the lack of construction of these types of houses (in favour of large, higher-value houses that offer owners and builders greater financial gains). Overall, it is somewhat difficult to see how non-targeted supply measures might be expected to meaningfully address housing prices at the lower quintile bands. For this to happen the new-house submarket would need to be saturated to the extent that house values start to fall at this level, which may result in a trickle-down of value adjustments through to the lower value submarket bands. However, the extent of these adjustments would likely reduce in scale as they are redistributed through the full spectrum of the local housing resource, and the impact of this at the lower quintile bands could potentially be relatively minor. Given the significant level of disparity of housing unaffordability between the lower household income bands and the citywide median (ratios of 12.3 and 8.8, compared to 6.2), it is unlikely that relying on a trickle-down value adjustment approach will have much more than a modest influence on the lower quintile house values. In fact, considering the relative affordability ratios between the household income bands, a non-targeted supply mechanism could very possibly improve the ratio at the higher income bands to a greater degree than it would impact at the lower income bands, creating a situation where the citywide median might reduce more than the lower income band medians, and exacerbating the relative divergence between the bands.

So, is there a need for a targeted approach to ensure that there are effective mechanisms available to achieve positive outcomes at the affordable housing submarket? It would appear, on the face of the discussion above, that this need does exist.

Furthermore, this study has shown that the literature by Jowett (2015), Thorns (2009), Knaap et al. (2007) and Crook et al. (2006), along with primary research that has been completed, both support the concept that the response to worsening affordable housing issues will be most effective when implemented through a range of initiatives and programmes, rather than relying on a limited number of methods. In this regard, the implementation of both relatively unsophisticated land supply mechanisms as well as targeted housing programmes, while at the same time ensuring that there is flexibility within the design of the overall response framework to enable future innovation, might potentially offer an optimal model for how Dunedin City might choose to address its growing affordable housing issues.

The first objective of this study is to explore the issues related to affordable housing and affordable land, and to understand what options are available to address these issues. The discussion above addresses this objective and enables the study to next consider how a policy response might be developed by Dunedin City to support housing affordability initiatives.

6.1.2 POLICY RESPONSE TO IMPROVING AFFORDABILITY

This subsection of the research discusses the various mechanisms that might be able to be implemented through policy to respond to affordable housing issues. These mechanisms are grouped into two primary categories, national opportunities (mechanisms that come under the authority of central government) and local opportunities (mechanisms that can be implemented at a local authority level). The local opportunities subsection includes a focus on mobilisation of affordable land from private development projects, and discusses to what degree many of the policy mechanisms being considered are compatible with this activity.

The second research objective is to understand how policy can be designed to enable mobilisation of affordable land as a component of private land development. The discussion below seeks to respond to this objective.

6.1.2.1 National Affordable Housing and Affordable Land Opportunities

There are several ways in which central government might promote measures to address rising housing unaffordability around the country and in Dunedin City. These include the

use of specialised legislation, the recalibration of the KiwiBuild programme, the dedication of funding in support of urban housing and/or infrastructure projects, and augmentation of the existing social housing stock, accommodation subsidy, and first-home finance schemes.

The use of new legislation to enable affordable housing outcomes is a reasonable proposition for the government to consider. The Housing Accords and Special Housing Areas Act 2013 (HASHAA) has by all measures been relatively successful at stimulating greater levels of urban land supply in high-demand parts of the country, and includes provisions for the targeted development of affordable housing resources. It is perhaps unfortunate that the HASHAA will be automatically repealed soon. There is no restriction however that would prevent the current government, or a future government, from introducing a similar piece of legislation as a new initiative. If this was to occur, and if Dunedin City was able to qualify as a candidate region under this legislation, then this could certainly provide the framework for private development to be used as a vehicle for the mobilisation of land for affordable housing purposes.

There are several aspects to the legislation process that we need to be conscious of. First, for this to operate successfully in Dunedin City the provisions of the legislation would need to be compatible with the local housing environment and the legislation would need to be 'available' to the City (Dunedin City did not qualify under the original HASHAA legislation). Second, a special housing area (SHA) made under the HASHAA relies on the concept of value uplift from land that is rezoned for a residential purpose (from a non-residential purpose) to provide the financial incentive for private development be undertaken in a manner that allows for both development profit as well as a contribution towards the affordable housing objectives of the community. Of course, the government could introduce legislation of any form to address affordable housing issues, including amending the Resource Management Act 1991 (RMA) to provide more certain outcomes for consent processes and to insert expectations around affordable housing contributions from private development (provided this remains within the gambit of the RMA's 'sustainability' principles). However, the concept of waiting for central government to introduce new legislation to solve a region's particular affordable housing issues is probably not an ideal proposition given the generalised form that a national regulation is likely to take and the vulnerability of legislation to changing governments.

Recalibration of the KiwiBuild programme is also an opportunity for central government to have a direct impact on the present affordable housing situation. However, given the limited effectiveness of the inaugural KiwiBuild programme, any renovated programme may need to be significantly modified before it might be expected to provide results in the Dunedin City setting. One possible modification might be the introduction of a 'KiwiBuy' branch to the programme, as recently raised in various media articles (for instance; Small, 2019; Ali, 2019), which could seemingly offer a progressive ownership system that is more directly targeted to households which lie within the lower income bands. This progressive ownership model does offer some interesting possibilities, and might indeed prove to be a successful affordable housing mechanism (as have the shared-equity schemes operated by the Queenstown-Lakes Community Housing Trust), however the progressive ownership model itself is not likely to include provisions that either require or incentivise mobilisation of land from private development. Having said this, it could be expected that a progressive ownership programme would benefit from an inclusionary zoning policy, through gaining access to land and/or fund contributions which have been generated from private development activities.

The inaugural KiwiBuild programme encourages private developers to mobilise land for a specific type of housing, so in this sense the programme is compatible with the focus of this research. However, the programme has clearly not been designed in a manner that suits Dunedin City (otherwise we might expect to have seen a greater uptake of this amongst private developers), and nor does the scheme truly provide anything close to affordable housing. If the KiwiBuild programme is to be recalibrated into a successful land-mobilisation mechanism for Dunedin City, it will need to be significantly redesigned so that it both incentivises private developers and also produces a certain proportion of under-market value housing. At this point in time, there does not appear to be any suggestion that a recalibration of this extent is being considered by the government.

One of the more prominent findings from the primary research is the concept that the government should (and may be intending to) provide greater levels of funding in support of local urban housing and/or infrastructure projects. This would be managed through one or more programmes developed by the Ministry of Housing and Urban Development (HUD). There is a certain degree of optimism held by local authority planners, national and local housing providers and even local private developers, that a significant amount

of HUD funding may become accessible in the near future. Several uses for this funding have been identified, including being used to build housing projects that can then be operated by not-for-profit organisations such as Housing New Zealand and Habitat for Humanity, and being used to construct new (or upgrade existing) infrastructure facilities, such as roads, drainage, and water supply systems, so that additional urban capacity can be better enabled. The first of these uses may indirectly support the mobilisation of land from private development for affordable housing purposes, provided that funding can be applied to partnership projects undertaken between HUD, private developers and the receiving housing provider. However, this might be a complicated proposition and it might be unwise to rely on this mechanism providing a significant volume of affordable housing. The infrastructure funding option is more directly related to mobilisation of land from private development for affordable housing purposes, particularly if the provision of this infrastructure can be designed in such a way as to require those private developments that receive the benefit of the new infrastructure to contribute a portion of the land or housing in that development back to the community to meet affordable housing objectives. This could only work if the value of the affordable housing contribution from private development was less than the value received by the development from having access to improved infrastructure. The cost of this initiative will still lie somewhere – either with the government or with the local authority if the funding is provided by way of a loan – and this needs to be recognised by the stakeholders involved. The nature of the affordable housing obligations from private development, and the development's access to make use of the new infrastructure, will likely need to be agreed by way of a stakeholder deed or private development agreement of some form. A final complication with the use of HUD funding is that the availability of these funds may be limited, or might be cut off altogether, in the event that the government revises its position on housing issues or changes its fiscal policy.

The last area in which the government can significantly influence the state of affordable housing in Dunedin City is through augmentation of the existing social housing stock, accommodation subsidy, and first-home finance schemes. Housing New Zealand operates the government's social housing stock. Primary research suggests that this stock is under pressure from a growing waiting list, which means it is becoming more difficult for households in need to get into this social housing stock (with more households residing in the growing community housing space, where housing prices and rents are

unaffordable but social housing assistance is not available). The government could presumably decide to embark on a more comprehensive programme of social housing development (obviously at the cost of taxpayers), which has the potential to significantly improve the current situation. It is likely that this would also have a bigger impact on the affordability of houses for those households within the lower income bands as more lower-value houses would become available to the market (as residents take up the new social housing resource), than would result from the top-down approach where land supply is increased to enable the construction of more higher-value properties.

The government could also decide to increase the value of the accommodation supplement payments to recipient households, and/or to widen the qualifying thresholds of these supplement payments so that a greater number of households might benefit. This would certainly have a very direct impact on housing affordability for those targeted households, however this mechanism would not involve mobilisation of land for affordable housing purposes.

Finally, in respect of the first-home finance schemes, the primary research undertaken by this study has found that both the Welcome Home Loan scheme and the KiwiSaver scheme have been particularly successful in the Dunedin City context for getting first home buyers into their own houses. Presumably, the HomeStart grant facility has also been a useful funding tool for first home buyers, although this was not specifically mentioned by any of the study's interview participants. The Welcome Home Loan scheme enables a lower mortgage deposit that would normally apply and the KiwiSaver scheme allows a purchaser's savings to be taken from their KiwiSaver account to be used towards the deposit on a house purchase. These have proved to be popular schemes that are having a positive impact on affordable housing issues, and it would be desirable for these programmes to be maintained by the government. Again though, these schemes are unlikely to directly involve mobilisation of land for affordable housing purposes.

The literature clearly supports ongoing involvement of the state in assisting to resolve affordable housing issues, although it has been recognised in some studies that mechanisms designed to address a particular community issue are likely to be more effective if developed and implemented at a local level rather than at a national level (Austin, Gurran and Whitehead, 2014). There is also a general consensus within the literature that one of the principal methods that the government can offer in response to

affordable housing issues is the provision of new, or expanded, accommodation subsidy programmes (Thorns, 2009; Whitehead, 2007; Crook et al., 2006).

The main difficulty with the national affordable housing opportunities discussed in this study is ensuring that these are sufficiently uncomplicated as to be attractive options for potential recipients to consider, while at the same time ensuring that these are sufficiently flexible to enable successful implementation within regions of the country that have unique or special characteristics. Coupling this with the vulnerability for national programmes to be modified, or withdrawn, as governments change or as national finances dictate, there is a legitimate concern around the performance of these opportunities.

Of the possible national-led initiatives discussed, the legislation option and the infrastructure funding option are the two that most easily correlate with the possibility of enabling the mobilisation of land from private development for affordable housing purposes. This is simply because these concepts provide incentives that encourage private development to be advanced, even when there is an obligation entered into for the development to produce certain affordable housing outcomes.

The question to end this subsection of the discussion is whether the Dunedin City community should rely on a national approach to address local affordable housing issues? The answer is probably that the community should lobby the government for the national mechanisms that it believes will be most efficient at addressing affordable housing issues in the local environment, but reliance on these mechanisms being implemented and maintained as hoped would be unwise. Locally-developed mechanisms, as discussed in the next subsection, are likely to offer outcomes that are more immediate, more reliable and more efficient.

6.1.2.2 Local Affordable Housing and Affordable Land Opportunities

This subsection considers a range of local policy mechanisms that might be contemplated by Dunedin City Council and the local community as a means of enabling the provision of desirable affordable housing outcomes through mobilisation of land from private development. These mechanisms fall into three main categories, those related to land supply and development (with targeted affordable housing elements), those related to

planning policy and the planning process, and those that take the shape of financial commitments.

6.1.2.2.1 Land Supply (and Inclusionary Zoning)

Primary research suggests that the price of many vacant residential sites in Dunedin City is approaching \$300,000. The build costs have been noted to be around \$350,000-\$400,000 and the total purchase cost of a new house in the City is advised as being around \$650,000. These values confirm several points; first that the purchase price of new houses is generally much higher than what could be considered affordable for many households (by any of the measures considered in this study), and second, that the cost of the land purchase, which is almost half of the total property value, is significantly higher in Dunedin City than the 20% proportion that the literature suggests it should be.

We have suggested earlier in this chapter that increased land supply alone, while having a positive impact on the housing market in general (and in particular on house prices at the higher income bands), is unlikely to have a significant impact on addressing housing affordability at the submarket position in which intervention is most required, i.e. across the lower two household income quintile bands. However, the potential for urban capacity to be increased, while at the same time providing for the construction of houses that can directly target the affordable housing submarket, may be a mechanism that is worthy of implementation. This is essentially the inclusionary zoning approach to urban planning, which in this case would require qualifying developments to gift a specified contribution to the City for the purposes of meeting affordable housing objectives.

To enable pragmatic consideration of how inclusionary zoning might be successfully applied in the Dunedin City context, we need to establish some foundation parameters. Research undertaken by this study would suggest that the baseline parameters described below should be adopted:

1. An inclusionary zoning policy, in whatever form it takes, must not impose additional costs (overall) on qualifying development projects, and should preferably foster an environment whereby private development is able to produce greater financial returns than from a traditional-type development. It is abundantly clear from the primary research findings that the imposition of any additional costs on private development would result in less housing being built

and this would in essence be counterintuitive to achieving positive affordable housing outcomes. Rather, the primary research findings suggest that private development organisation would be interested in considering the possibility of undertaking inclusionary zoning developments and supplying land and/or houses for affordable housing purposes if there were sufficient incentives to support equal, or better, financial returns. An opportunity for greater financial return would present an ideal arrangement as this would encourage developers to choose an inclusionary zoning form of development in preference to a traditional (and more familiar) form of development.

2. An inclusionary zoning policy should not be mandatory, except where this can be built into new residential zones or in perhaps certain exceptional situations. One risk of making inclusionary zoning policy mandatory across the board is that it limits choice, both in terms of choice for private developers on how they design their projects and choice for property purchasers on the type of housing that best meets the needs of their household. A second risk is that a mandatory inclusionary zoning policy may very well be subject to challenge and appeal (as occurred in the PC24 process in Queenstown-Lakes District). Dunedin City might not have an appetite for prolonged litigation (and possible defeat), particularly when primary research shows that a collaborative approach to addressing affordable housing issues is clearly preferred. Overall, an optional inclusionary zoning arrangement, which offers an alternative form of development as an option instead of the traditional development format, is considered to be a better approach. The chief situation in which a mandatory inclusionary zoning format might be achievable is where areas of land are newly rezoned to a residential designation and are therefore able to support a mandatory inclusionary zoning through benefiting from a significant level of value uplift as a result of being rezoned. There may also be other areas of land that due to unusual or exceptional circumstances would also warrant the use of a mandatory inclusionary zoning policy, however further research will likely be needed to determine if, and where, these areas exist.

Having established the above baseline parameters for how a new inclusionary zoning policy might be most effectively framed within the Dunedin City context, there are several additional qualifiers that need to be understood.

First, it should be understood that the only way in which an optional inclusionary zoning policy will function efficiently is if the policy includes incentivisation to a point where private developers are able to recognise this as being a desirable option. The inclusionary zoning policy must therefore offer some form of financial benefit to the private sector, which would otherwise not apply if a traditional form of development was to be undertaken. Financial benefit can come in the form of relief of fees and charges, allocation of new funding, or density bonusing, however it is the latter of these that is likely to be the only mechanism that can provide sufficient value incentive to support the uptake of inclusionary zoning projects. Density bonusing relies on the ability for a developer to build a greater number of sites or houses on a particular project than would otherwise be permitted. Accordingly, this then relies on the continuance of the existing planning policy which regulates the number of sites/houses in a specified area or zone. If the underlying zone density provisions were to be modified to enable an alternative level of residential intensity, this would likely have a significant impact on the ability for the inclusionary zoning policy to function effectively. In this sense, density bonusing is heavily reliant on the retention of firm site density restrictions for traditional (or non-inclusionary zoning) developments.

In the City's Second-Generation District Plan (2GP), the principle residential zone is the General Residential 1 zone. This zone specifies a maximum residential density of one unit per 500m². If the density provisions of this zone were to remain in their present form then there might well be scope for a compatible inclusionary zoning policy option to be introduced. However, if the density provisions of the General Residential 1 zone were to be modified to provide a more intensive allowance (say 1 unit per 300m²), or shift to using a habitable room approach to density (as used in several other of the City's residential zones), or even include a new minimum-yield provision, the ability to successfully implement an inclusionary zoning policy, which relies on density bonusing for developer buy-in, may become more difficult. It is therefore critical that any inclusionary zoning policy, whether mandatory or voluntary and whether or not it includes a density bonusing option, is well designed in terms of its relationship with related planning policy.

Second, the introduction of an inclusionary zoning policy that includes a density bonusing option will potentially attract opposition from some community members in respect of perceived adverse effects on community amenity. The literature by Hills and Schleicher

(2015) and Brueckner (1990), and primary research undertaken by this study both anticipate that this will occur. Often described as the 'nimby' (not-in-my-backyard) mentality, this situation arises when members of a community express the opinion that if a particular activity, in this case an overly-dense residential development form, was to be undertaken in close proximity to their own property, that this could lead to adverse effects in terms of the reasonable enjoyment of their land and the value of their property. A proposed inclusionary zoning policy will need to be sensitive to these views, and ideally would include provisions that are designed to minimise adverse effects on land external to the development site. This can be done relatively easily in regard to some effects, for instance maintaining the standard bulk and location provisions (e.g. yards and height planes) around the outside of the development, however other effects, such as increased traffic movements, may be impossible to avoid.

Third, previous assessments undertaken by Dunedin City Council and this study's primary research findings have shown that many parts of the existing residential zoned land within Dunedin City are subject to development constraints associated with infrastructure capacity and land topography. These constraints can restrict land from being developed to the density permitted in the 2GP, and therefore in these situations it might be unrealistic to expect a private developer to pursue a design that includes density bonusing (which relies on an even higher density being achieved). On many sites, these constraints might be resolvable, for instance infrastructure capacity issues may be able to be overcome through use of specialised engineered systems and topographical issues may be able to be managed by allowing more flexibility in respect to where houses are sited on a block of land, however it is important that these constraints are able to be understood and provided for as part of any inclusionary zoning policy developed for the City.

So, having now discussed several of the critical considerations that will likely influence the structure of an inclusionary zoning policy for Dunedin City, it is perhaps a useful time to consider several possible inclusionary zoning scenarios.

The first scenario considered is a 1-hectare block of flat land located in the existing General Residential 1 zone. The traditional form of development of this land could involve a subdivision of the land into 16 sites of 500m² (allowing 20% of the land area for new public roading infrastructure). If the new inclusionary zoning policy was to enable a private developer to increase the residential density by say up to 25%, provided that 25%

of the value of any additional sites was to be dedicated towards affordable housing purposes, this could result in the site yield increasing from 16 sites to 20 sites (the average sites area would now be 400m²), and the payment of the value of one of the additional sites (maybe \$220,000), or the gift of one of the additional sites, to the community to assist in achieving affordable housing outcomes. So, would this work for the community? This really depends on the community's values in terms of neighbourhood amenity. The community will certainly gain an affordable housing benefit, to the tune of \$220,000, but whether this benefit outweighs the value-loss of the effects of having an over-dense residential development established within the community is difficult to know. Further consultation with the Dunedin City community will be required to answer this. Would this work for the developer? The developer will gain an additional 3 sites (assuming the 4th is gifted), at maybe \$220,000 each, so a total increased income of \$660,000. However, the developer will also incur additional costs, including development contributions and site servicing costs, possibly comprising around \$45,000 for each of the 4 additional sites, and aggregating to a total of \$180,000. Furthermore, the developer might expect to receive lower sales values for each of the original 16 sites as these now have an average site area of 400m² instead of the 500m² that would have been created under the traditional format. If this value reduction occurred at the level of \$25,000 per site, then this cost would tally to \$400,000. The total increased income is \$660,000, while the total additional cost comes to \$580,000 with the difference between these figures (the increased financial return) showing a net overall benefit of \$80,000. It would be prudent for these speculative figures to be confirmed through consultation with the private development sector community, but on the face of it there would appear to be scope for a successful inclusionary zoning policy to be designed around this general concept.

Looking at a smaller scale, but still applying the 25%/25% concept, we might consider a site that comprises 2,000m² of flat land, and which is again located within the existing General Residential 1 zone. A developer who wishes to apply the inclusionary zoning policy may propose a subdivision of the land into 5 new sites, with an average area of 400m² (access is more likely to occur through internal right-of-way arrangements, so no area deduction needs to be made for public road in this scenario). The developer cannot, in this smaller scale scenario, contribute a whole site towards affordable housing outcomes, so must choose the 25% value payment option, which might be expected to be a payment in the order of \$55,000 (25% of the 1 additional site, valued at \$220,000). As

with the previous scenario, the community gains a benefit from the development, which will allow funding to be put towards addressing affordable housing issues. The developer, under this scenario, will sell an additional site at \$220,000, but will incur an additional development cost of \$45,000, and will suffer a reduction in the sales values of the original 4 sites of perhaps \$100,000, thereby resulting in a total additional cost of \$200,000 (including the \$55,000 affordable housing contribution payment). This results in a net increase in the financial return from the development of \$20,000. As with the initial scenario, this would appear to be a workable proposition.

Obviously, whether a 25%/25% concept like the one used in the above scenarios is optimal for the Dunedin City context, or whether an alternative structure, for instance a 30% density bonus and a 20% affordable housing contribution, or different form of inclusionary zoning policy altogether, might function better within the subject region is something that will require further research and open consultation. There are essentially two tests to be made. First, the value of the opportunity to private development from undertaking an optional inclusionary zoning project must stack up. There is no point in introducing an optional affordable housing policy that does not provide a realistic financial incentive for private developers to engage with this option. Second, once the first test has been answered, and knowledge is available in respect of what is believed to be an appropriate density allowance/affordable housing contribution dynamic, then the second test becomes whether this dynamic is acceptable to the community, and whether the adverse effects of an increased density might outweigh the positive affordable housing outcomes that are anticipated by the policy.

Before moving on to the next part of the inclusionary zoning discussion, there are several final elements to consider. One of these is the secondary affordable housing benefit that an inclusionary zoning policy might achieve in the sense that spreading a density bonusing structure across all of the sites in a particular development will likely universally lower land purchase prices and at the same time produce sites that are less likely to end up accommodating large, expensive houses of the type that appear to dominate the existing housing development landscape in Dunedin City. A second element to consider is that while an allowance has been made in the parameters of the two scenarios above for loss of sales values across all of the sites within an inclusionary zoning development, it may be possible to reduce or even avoid this loss of sales values through

careful design of building platforms and amenity areas so as to optimise the use of the land. The third element is that an inclusionary zoning policy which is designed to be able to be applied on a relatively small scale may promote a greater level of brownfields redevelopment within the existing residential zones of the City. This may provide an additional benefit in the form of old, poor-condition houses being replaced by new housing stock.

Applying an inclusionary zoning policy to greenfields development projects on newly rezoned residential land is a different proposition to how this might be applied within existing residential zones. As seen in the Queenstown-Lakes District region, a broad range of residential rezoning projects have occurred as a response to housing demand, and it is these rezoned areas that have generated the bulk, if not all, of the private development contributions towards affordable housing outcomes. The reason for this is that the value uplift from a lower-value land use activity (often rural) to a higher-value land use activity (in this case residential), enables the landowner to utilise the land in a way that will generate a significantly higher financial return. If, during the rezoning process, the local authority determines that there is reason to apply an affordable housing obligation for the future residential development within the new zone, the cost of this obligation is unlikely to compromise the overall feasibility of the development to a significant degree. In these situations, a mandatory inclusionary zoning policy could be considered (although the local authority may need to defend this decision if challenged in respect of how compatible the policy is with the RMA environmental effects principles). Alternatively, the provisions of the new zone could include an optional inclusionary zoning policy, similar to the scenario options described above, or it could even use a combination of smaller site sizes and a minimum site yield provision to deliver a greater number of sections to the market.

The potential difficulty in applying a simplistic land supply response as a means of encouraging a greater rate of housing development, is that this may not deliver affordable housing to the submarket sector where it is most needed. We know that there is a greater stress on the availability of affordable housing for those households in the lower two income quintile bands, and we are informed by Saville-Smith (n.d.) that it is important for the supply of more housing to be focused at the segment of the market most in need if we are to achieve an efficient response to the affordable housing problem. For instance, with

land purchase prices in Dunedin City heading towards \$300,000 and house construction costs being in the order of \$350,000 the current cost of a new property is typically around \$650,000. This value is, in round terms, \$225,000 higher than the City's median purchase price for an existing property, and some \$528,000 higher than the affordable price as determined using the Demographia method for a household in the 20%-40% income band. In fact, for a new house with a value of \$650,000 to be considered affordable, the ownership household would need to have an annual household income that is greater than \$216,000 (putting the household well into the 80%-100% income band). Clearly, if a significant volume of the land that is available for residential development within Dunedin City is being used to produce houses at the \$650,000 value level (as appears to be the case in the current supply market) it is difficult to understand how this might provide a meaningful benefit to the affordable housing situation that exists at the lower income bands. Perhaps over a long period of time, and providing that the demand at the higher value bands is saturated, the market might see a settlement occur whereby property values recede in a top-down manner across the full spectrum of income bands, but the outcome of this at the submarket band where it is needed most is highly uncertain. Essentially, there is little certainty that a general land supply policy will provide positive affordable housing outcomes for those households residing in the lower income bands.

In order to better respond to housing affordability stress at the lower household income bands it may be necessary to introduce targeted mechanisms rather than relying on a simplistic land supply response. Inclusionary zoning policy is a targeted mechanism, where the land and/or financial payments generated from private development can be applied directly towards a specific market need. The Queenstown-Lakes Community Housing Trust (QLCHT) is an example of how land and funds leveraged from private development can be used to support programmes targeted towards households that are identified as being in need of affordable housing assistance.

A final point of discussion in respect of land supply and inclusionary zoning possibilities is the issue of land-banking, whereby owners of land that is newly enabled for greater urban intensification choose not to pursue any form of development for a period of time, on the expectation that the value of the land will increase as the supply/demand dynamic starts to swing in favour of demand. The land-banking situation is potentially a difficult issue to address, and until such time as there is a penalty arrangement in place for

undeveloped urban land (potentially a contentious prospect), it is reasonable to expect that a certain degree of land-banking will continue. Perhaps the most effective, and simplest, response to land-banking issues would be for any new land supply strategy to i) factor land-banking into its capacity calculations and provide greater capacity with the expectation that some land will not be developed quickly, and ii) ensure that the new land supply policy is applied to a broad range of land parcels (rather than a handful of large properties owned by a few people) so that there is less risk of a significant volume of the land supply capacity being withheld from timely development. An inclusionary zoning policy that can be applied to the existing residential zones within Dunedin City would be more effective in achieving this than restricting an inclusionary zoning policy to only new greenfields-type zone areas, which tend to be formed from large, rural land blocks that are owned by a limited number of people.

6.1.2.2.2 Planning Policy and Planning Process Relaxation

The use of planning policy and planning process relaxation opportunities contain another group of mechanisms that might be used to promote desirable affordable housing outcomes. The idea of adjusting existing planning policy, so that a broader range of innovative project designs can be accommodated without raising uncertain 'plan integrity'¹⁷ considerations along the way (often an impediment to consents being granted) has come through strongly in the primary research findings, and is supported by several of the action items outlined in the housing action plan developed by the Mayor's Task Force for Housing. It is apparent that many promising affordable housing concepts have been abandoned due to perceived difficulties in being able to obtain consent. If the existing planning policy framework can be modified to better enable a greater range of non-traditional forms of development, including co-housing options, communal living and shared-amenity arrangements, mixed-use developments and social housing activities, then it might be expected that a greater number of these forms of development may be undertaken. Of course, the policy would need to define what is anticipated from development in terms of affordable housing outcomes, and it would need to clearly stipulate what exemptions this form of activity might be granted from the performance

¹⁷ Plan integrity is the concept that the provisions of the district plan that are in place should be defended so that these are not eroded through the introduction of undesirable precedent. Plan integrity can be an obstacle to consents being granted, even when the proposal at hand is meritorious and the effects of the proposal activity are negligible. The local authority may still decide to decline the consent to avoid the perception of any obligation to grant subsequent consents of similar bearing.

standards that would otherwise apply to the site. As with the inclusionary zoning discussion, the design of any planning policy intended to better enable different types of affordable housing developments will need to be carefully considered to ensure that the resulting policy is able to deliver both a more certain consenting process to innovative private development projects and that any additional costs imposed on the development as a consequence of achieving the required affordable housing outcomes are such that there is still a positive financial incentive overall.

The literature strongly encourages the use of planning policy relaxation measures as a means to better enable the delivery of desirable affordable housing outcomes (for instance; Freeman and Schuetz, 2017; Aurand, 2010; Glaeser and Ward, 2009; Barker, 2008; Knaap et al., 2007; Ihlanfeldt, 2007; Katz and Rosen, 1987).

One example of an adjustment to the existing planning policy landscape that might be expected to encourage greater provision of affordable housing would be to simply replace the current General Residential 1 zone density control (1 unit per 500m²) with a habitable room density approach (say, 1 habitable room per 100m² of site area). For a site that is 600m² in area, this would allow either 1 large traditional-type house (with up to 6-bedrooms), or the establishment of 2 mid-sized units (possibly stand-alone, and with up to 3-bedroom each), or the establishment of 3 small-sized units (quite possible attached, and with up to 2-bedrooms each). The current zone provisions only allow for the former of these three options (putting aside the hybrid Family Flat¹⁸ provisions, which are of limited value in their present structure), even though the total number of bedrooms (a proxy for the total number of residents using the land) remains unchanged. This example may not require any special performance standards to provide affordable housing outcomes, relying instead on the growing demand for smaller units and the expectation that smaller units will be cheaper to build and therefore have a lower purchase price. However, even a small 2-bedroom unit, if built new, may have a purchase price that exceeds the affordable value for households within the lower income bands. Therefore, a targeted approach, such as the implementation of an inclusionary zoning policy, may need to be considered in conjunction with relaxing the existing planning regulations.

¹⁸ A Family Flat is described in the 2GP as being a secondary residential unit that is ancillary to a primary residential activity on the same site. The resident of a family flat must be a person related to or dependent on the household that lives in the primary residential unit.

A second example of an adjustment to the existing planning policy landscape that might be expected to encourage greater provision of affordable housing would be to introduce a greater ability for private development to construct integrated communal living environments that are specifically designed to meet the needs of particular demographics, such as 1 or 2 person retiree households or low-income family households. Relaxation of the minimum site size rules and relaxation of a variety of the residential performance standards might remove the consenting uncertainties often faced with these non-traditional residential typologies, and this will embolden both private sector and not-for-profit organisations to reconsider the feasibility of these forms of activity. There would most likely need to be an expectation cast into the adjusted policy that requires a private developer or housing provider seeking to undertake a development of this nature to satisfactorily demonstrate how the project will achieve the desired affordable housing outcomes.

Another area of concern that has been highlighted in the primary research findings is the reluctance of private developers to pursue projects where it is felt the existing planning policy framework will dictate that a public participation process is required. The outcome of public participation processes is always uncertain, and there is a feeling amongst private developers that members of the public are able to use these processes to delay and potentially derail projects on the basis of unreasonable concerns or expectations. Private developers have stated that in many cases it is just not worth the effort and risk in taking an unusual development concept through the consenting process, regardless of the positive community outcomes that might be achieved as a result of the development. There may be an opportunity for Dunedin City Council to consider relaxing the public participation thresholds in the 2GP for certain types of land development activities. If this could be achieved, then it is quite likely that new avenues of development by both the private sector and not-for-profit housing providers will be enabled.

Considering relaxation of the planning process framework, primary research findings show that there is an opportunity for Dunedin City Council to improve the performance of consenting and approval pathways in support of enabling greater housing development. This is supported in literature by Gurran and Whitehead (2011), Tsenkova and Witwer (2011) and Austin, Gurran and Whitehead (2014), and by the housing action plan developed by the Mayor's Task Force for Housing. Consents can, particularly when

dealing with an unusual form of development, take some time to process. Part of the reason for this, according to several of the private developers spoken to for this study, is the apparent difficulty in being able to engage with the various infrastructure departments within the local authority. Similarly, requests for the engineering approvals needed from the infrastructure departments in order to begin the development (often required as a condition of the resource consent), can seemingly introduce delays and frustrations for development activities.

A more streamlined consenting and approval process, with greater levels of engagement by the various local authority departments and potentially an internal development advocate (as proposed in the housing action plan), certainly has the potential to ease the frustrations encountered by developers in this respect. However, whether this would lead to new projects going ahead when they might otherwise have been discarded or abandoned is possibly less clear.

Overall, there are a range of planning policy and planning process relaxation measures that could be implemented to assist with housing development. Potentially the most effective mechanism to achieve this would be by way of implementing planning policy that is designed to better enable development of the types of houses that are most needed in the community (ideally in a way that incentivises this type of development), and the removal, where appropriate, of the elements of existing policy that generate uncertainty in consent outcomes, particularly the thresholds at which public participation processes are triggered.

Finally, any new planning policy, or any modifications to existing policy, which is intended to better enable development of the types of houses that are most needed in the community will need to clearly show how affordable housing outcomes will be achieved through developments undertaken in accordance with the new provisions. If the policy is designed to encourage the supply of smaller residential units, can we be sure that these units will generate a positive impact on housing unaffordability at the level where this is most needed? Or, does this new policy need to be more targeted in its approach to achieving desirable affordable housing outcomes? If targeted measures are to be used to provide greater efficiency in delivering affordable housing outcomes, as is suggested by this research, these measures should be sufficiently flexible that they can be applied to a range of proposed developments, from the subdivision of vacant land through to the

construction of integrated housing projects. Using inclusionary zoning as a means of mobilising land for affordable housing purposes appears to be a relatively simple proposition, which could be facilitated through the gifting of land and/or financial payments. Integrated housing developments might also achieve affordable housing outcomes through provision of land (or built units), or through financial contributions, however these may need to include a broader range of delivery options as well. For instance, if an integrated housing development was to be built on the understanding that it would be operated by one of the local not-for-profit housing provider organisations for a social housing or community housing purpose, then this might satisfy the policy requirements. Alternatively, if a private developer proposes that the new units will be able to be sold at a submarket price to qualifying recipient households, then perhaps this will be sufficient to satisfy the policy requirements. In any case, it would be sensible to enable a degree of flexibility within the new policy, so that innovative concepts for achieving affordable housing outcomes can be developed in a collaboration manner.

Interview participants have informed the research that any new policy intended to support mobilisation of land for affordable housing purposes will need to be developed in a collaborative manner. Stakeholders are likely to value an active involvement in the policy shaping processes, and primary research has suggested that this approach will more likely result in a successful and highly utilised outcome. Additionally, full stakeholder involvement will promote effective transfer of knowledge between relevant people, organisations and the community, and will support the development of educational material such as development guidelines, which is considered in the literature to be of benefit (Crook et al., 2006).

6.1.2.2.3 Financial Incentives and/or Charges

The opportunity to use financial incentives and/or charges to encourage the mobilisation of land for affordable housing purposes is the last of the three groups of local policy mechanisms to be discussed in this research.

Financial incentives come in two forms, first the reduction of fees that would normally apply to urban development activities, and second, the provision of funds by the local authority in support of a particular form of development. Looking at the local authority fees that would normally apply to urban development projects, these generally comprise

consenting costs and development contribution costs, the total of which can often around \$10,000 for every new site or new house created by a development in Dunedin City. The large bulk of these fees is made up of the development contribution element, often at a cost of around \$8,500. Several primary research interview participants have suggested that a reduction of these fees would assist development, particularly where a project is barely financially feasible, and clearly the reduction of development costs to this extent is not an insignificant benefit to development. However, at the same time, consideration needs to be given to what level of impact a loss of these fees would have on the City. The consent fees gathered by the local authority presumably go partway towards paying the salaries of planning staff. If some developments were to be exempted from paying these fees, then it must be assumed that ratepayers would pick up the tab. Development contribution fees received by the local authority are required under the Local Government Act 2002 (LGA) to be used to provide appropriate reserves, network infrastructure, and/or community infrastructure, particularly where investment into these services is needed due to urban growth. It might seem counterintuitive for a policy that seeks urban growth (to achieve affordable housing outcomes) to provide an exemption from paying a development contribution designed to assist in managing that same growth, and to a certain degree it is. If such an exemption was to be implemented, again it might be expected that the loss of development contribution funding would have to be made up from the general rates collection. There is potential for ratepayer opposition to any reduction from the normal local authority fees associated with urban development projects, and it would be understandable if this dissuaded Dunedin City Council from proposing an affordable housing initiative that includes this approach.

The concept of provision of funds by the local authority in support of a particular type of development activity may present an opportunity to encourage developments to include affordable housing outcomes. Accepting that funding of this nature may be relatively modest in value (after all, it will still most likely need to be funded from the rates account), this option does present some benefits to the local authority. These benefits come in the form of being able to limit the total fund available to assist with affordable housing projects, and the flexibility for the fund to be used to respond to different projects in different ways. An example of this is the fund that was allocated by Dunedin City Council several years ago as a way of incentivising building renovation in the Warehouse Precinct. Something similar to this could be implemented for affordable housing projects, with one

suggestion, made by a primary research interview participant, being for this fund to be used as a contribution towards preparatory demolition works associated with new brownfields housing developments.

Financial charges involve levies that are charged on developments for the purpose of generating a fund that can then be directed towards affordable housing initiatives. This mechanism is in many ways similar to a mandatory inclusionary zoning policy, in the sense that all developments would be expected to contribute towards affordable housing outcomes. As noted in earlier discussions, primary research undertaken for this study resoundingly suggests that the imposition of additional costs onto development activities is likely to reduce the volume of houses being built and accordingly would more probably undermine the affordable housing initiative rather than enhance it. With this in mind, financial charges are not considered to be an effective tool for responding to affordable housing issues in Dunedin City.

The following subsection of the study moves the discussion from affordable land mechanisms to how an affordable land product might be effectively delivered to the housing market in Dunedin City.

6.1.3 DELIVERY OF AN AFFORDABLE LAND PRODUCT

The delivery of affordable land to a position in the property market that it can most effectively respond to housing stress will need to be managed by a suitable housing organisation. This could occur at a national level, through the Ministry of Housing and Urban Development (HUD) or through Housing New Zealand, or at a local level, through the Dunedin City Council, one or more local not-for-profit housing organisations, a new dedicated affordable housing trust, or even by local private sector developers directly.

It appears unlikely at this point in time that a national housing provider would be able to effectively manage land and/or funds that are leveraged through a local policy for private sector contributions. There would clearly be issues around transparency of spending and the degree to which any delivery programmes would be able to respond to local needs.

Similarly, it is not considered ideal to leave the delivery of affordable land to the private development sector without some level of oversight or monitoring. Several of the private

developer interview participants noted that they are able to provide (and have provided in the past) affordable housing options within their developments in recognition of the community need for this type of housing, however the effectiveness of these schemes, which for the most part involve property sales to selected local purchasers at an agreed price, is questionable. Certainly, in none of the arrangements described by private developer interview participants is the affordable value of the product protected on an ongoing basis for future benefit. Overall, leaving the delivery of affordable housing programmes to the private development sector is not considered likely to be the most effective response to alleviating affordable housing issues.

At a local level, Dunedin City Council may be able to manage the delivery process in-house, although there are potential difficulties in respect of the local authority's ability to provide a dedicated focus on the delivery of affordable housing programmes, the transparency around how land and funding contributions are managed, and importantly the apparent restriction on the ability for the local authority to access the income-related-rent funding from government (and possibly other funding opportunities).

If the Dunedin City Council was to partner with a local not-for-profit housing provider, particularly one that has experience in delivering a range of affordable housing products, including at a community housing level (such as Habitat for Humanity), this could prove to be an effective arrangement. However, there would need to be a clear strategic alignment between the local authority and the delivery organisation to ensure that the contributions provided by the affordable land policy are used in a manner acceptable to the local authority and Dunedin City community. There would likely be some efficiencies and conveniences achieved by an arrangement of this nature, particularly during the initial establishment period, but there is also a real possibility that a suitable partnership structure may not be able to be agreed between the relevant organisations.

Failing the ability for Dunedin City Council to partner with an existing not-for-profit housing provider in support of the delivery of affordable housing products, the establishment of a housing trust to administer the delivery aspect of the affordable land initiative is an option that may be worth considering. There may in fact be a preference to investigate the establishment of a housing trust that is dedicated to delivering housing outcomes that are consistent with policy expectations even ahead of looking at the possibility of partnering with an existing not-for-profit housing provider.

There are certain activities that a trust is able to undertake, which might be otherwise difficult or less efficient for the local authority to manage itself. Several of the key benefits of using a housing trust include:

- The ability for a trust to seek the income related rent subsidy from the government (this funding source is not available to local authorities).
- A trust may be better equipped to focus on the issue of affordable housing, including monitoring the housing market, developing appropriate programmes to respond to the local community's affordable housing needs (particularly where these needs are for community housing rather than, or in addition to, social housing), and ensuring that the affordable housing resource that it manages is able to be retained as recipient households transition out of the affordable housing programmes.
- A trust may be effectively placed to undertake a collaborative role to bridge the gap between Council regulation and private development objectives. It may also be possible for the trust to facilitate developments in which various stakeholders enter into a partnership arrangement.
- Greater perceived transparency of financial transactions, particularly where land or payment is gifted from private development.
- A trust is better insulated from the uncertain political and financial dynamics that are a feature of local government.
- It is potentially easier for a trust to seek and secure funds from other community-focused organisations, such as Housing New Zealand.

The Queenstown-Lakes Community Housing Trust is an example of a trust that has been established by the local authority to manage the delivery of affordable housing outcomes. The local authority remains responsible for implementing the policy that generates contributions from private development, but it is the trust that then receives these contributions and manages the processes required to achieve the affordable housing outcomes that it is mandated to produce. The Queenstown-Lakes Community Housing Trust presently has six trustees and three staff, and accordingly there is clearly a cost associated with operating an organisation of this nature. This is relevant as the decision to establish a housing trust in Dunedin City will need to understand these costs, and decision-makers will need to be confident that the affordable housing outcomes which can be achieved by the trust will outweigh the totality of its costs.

Primary research offers mixed views on the use of a trust to manage the delivery of affordable housing outcomes. Local authority planners and housing providers spoken to generally expressed supportive opinions, while several private developers spoken to articulated a concern that a trust might just complicate an already complex development landscape. One developer felt that a trust would not have the expertise necessary to be efficient at delivering affordable housing outcomes, and suggested that developers themselves could produce more effective delivery models (if incentivised to do so), while another developer indicated a willingness to look at opportunities to partner with a trust to produce affordable housing outcomes.

On the question of whether a trust can successfully deliver an affordable housing programme, observations from Queenstown-Lakes District would suggest that this is indeed possible. Primary research has informed the study that the Queenstown-Lakes Community Housing Trust has assisted around 175 households into suitable housing. The Trust's website advises that the organisation currently administers a total of 98 affordable homes (Our Developments, 2019). These figures suggest that the QLCHT has been successful in its activities, and that it has delivered a valuable affordable housing resource for the region.

The question of whether a new not-for-profit housing trust can offer the best mechanism to deliver an affordable housing response in Dunedin City can only be answered in conjunction with the development of the applicable policy parameters. This will depend on the preferred policy structure, including whether the policy includes inclusionary zoning mechanisms and whether the affordable housing objectives include targeted delivery outcomes. The cost of operating a trust, and the relationship between the social housing programme that is presently being managed from within Dunedin City Council (which is focused on older persons) and the new trust are also very valid considerations. If there is an appetite within the community for the local authority to take a greater interest in responding to affordable housing issues, then the establishment of a trust to deliver appropriate outcomes is something that should certainly be considered.

The third objective of this study is to describe what is 'affordable land' (as a component of 'affordable housing') in the context of Dunedin City, and to understand which aspects of, and to what degree, an affordable land policy might be supported by local stakeholders. The discussion that has occurred earlier in this section of the study has considered how

an affordable land policy might be designed to most effectively mobilise land from private development in a manner that is both acceptable to stakeholders and compatible in respect of the housing needs of the local community, Furthermore, this study has considered how the delivery of affordable land products might be effectively achieved, as a critical adjunct to the development of an appropriate policy response. In this sense, affordable land in the context of Dunedin City is determined to be land that can be utilised for an affordable housing purpose, rather than being used for a traditional residential function, in a manner that is acceptable to the community and in form that can maintain or enhance private sector investment returns.

The key research results are summarised in the next section of this research.

6.2 SUMMARY OF KEY RESEARCH RESULTS

There are six key results of this study. These are described below-

- A. There is a recognised concern within Dunedin City community that housing is unaffordable for many households, and that this issue is:
 - (i) Presently worsening, and
 - (ii) Likely to continue to worsen over the next few years, and
 - (iii) Disproportionately impacting on those households that exist within the lower income bands.
- B. An increase in the availability of residential land for housing (even a significant increase) is, by itself, unlikely to provide an efficient response to the issue of affordable housing. House construction rates might increase, and there may be more competition for the delivery of new sites and houses, however the number of properties that are affordable for households in the lower income bands is not expected to significantly increase as a consequence of an increase in land supply.
- C. An efficient approach to addressing the City's affordable housing issues is likely to comprise a range of response methods, including many, if not all, of the following mechanisms:
 - (i) Increased availability of residential land for housing.

- (ii) Lobbying the government to introduce new national-level support for affordable housing issues, including new legislation, an improved KiwiBuild scheme (ideally including a progressive ownership program), access to HUD funding for infrastructure, a greater commitment to building new state-owned social housing resources, an expansion of the accommodation supplement programme, and maintenance of the KiwiSaver, HomeStart and Welcome Home Loan schemes.
 - (iii) Introduction of optional inclusionary zoning provisions for existing residential zones that are designed to incentivise private development to provide land and/or financial payments to the community for affordable housing purposes.
 - (iv) Design of specific inclusionary zoning provisions (possibly mandatory) for newly zoned residential land areas as a means of capturing a share of the value uplift associated with the change in land use format.
 - (v) Relaxation of certain elements of the existing planning policy framework, including reviewing the approach used to control site densities (particularly in the General Residential 1 zone), addressing the inflexibility of the 2GP in respect of non-traditional development formats (such as communal living environments), and providing greater scope for public participation processes to be minimised.
 - (vi) Improvement in the local authority's consenting and engineering approval systems, particularly in regard to the activities undertaken by the various infrastructure departments. Improved systems are expected to result in timelier and more certain outcomes for private developers.
 - (vii) Reduction in consent and/or development contribution fees for qualifying development projects, and/or the establishment of a fund that is available to be called upon by qualifying development projects to assist with certain activities (such as the demolition of poor-quality buildings).
- D. The mobilisation of land for affordable housing purposes can be provided for through a number of targeted affordable housing mechanisms. While the most obvious avenues for this is by way of inclusionary zoning policies, established either through national legislation (such as the HASHAA) or through local policies (most likely as part of the 2GP), mobilisation of land for affordable

housing purposes could also be anticipated as a potential outcome of more flexible planning policy (for example, with respect to communal living environments), and the reduction of consent and development contribution fees for certain development activities.

- E. The establishment of a trust to manage the delivery of affordable housing outcomes in Dunedin City may be a rational proposition. This will incur some cost, however a trust may be able to provide a number of distinct benefits, including the ability to access new funding opportunities and the aptitude to focus on matters relevant to the delivery of affordable housing outcomes in an environment that is insulated from uncertain political and financial dynamics. Whether the establishment of a new housing trust is an efficient mechanism to respond to affordable housing issues in Dunedin City will depend on the overall structure of the strategy, including where the trust is asked to focus its attentions (e.g. on community housing, or social housing, or both), and the design of the various affordable housing mechanisms that are intended to deliver the strategy.
- F. It is clear that whichever mechanisms might be employed by Dunedin City Council to respond to affordable housing issues in the local region, these must be developed and implemented in a collaborative manner between the Council, the community, the private development sector, and existing housing providers. The strategy must be acceptable to all of these stakeholders, otherwise there is a risk that there may be limited implementation of the new methods, and therefore limited success in achieving the intended affordable housing outcomes. A strategy that is developed in a collaborative environment will almost certainly require private development to be financially incentivised, and the local community to accept a trade-off between affordable housing benefits and potential impacts on residential amenity values.

The results above are reasonably consistent (or at least not inconsistent) with all levels of existing housing policy framework. At a national level, the mechanisms identified as possible methods to advance desirable affordable housing outcomes support the objectives of the National Policy Statement on Urban Development Capacity 2016 (NPSUDC), particularly where the policy seeks to provide sufficient urban land supply to

meet demand in a manner that provides choices which will meet the needs of people and communities, and where the policy guides local authorities to adapt to evidence around urban development, market activity and the social wellbeing of people, communities and future generations.

At a regional level, the above results are compatible with the Regional Policy Statement for Otago (RPSO), which seeks urban growth and development to be undertaken in a strategic and coordinated manner. The issue of affordable housing is certainly a significant aspect of the local development landscape, and accordingly there is an expectation that the strategic approach to urban growth and development within Dunedin City, as sought by the RPSO, should include consideration of suitable mechanisms to address the issue of affordable housing.

At a local level, the Second-Generation District Plan (2GP) is relatively silent on the matter of affordable housing. The policy element that possibly has the greatest overlap with affordable housing considerations is Objective 2.6.1, which seeks the provision of range of housing choices within the City to support community needs and social wellbeing. This outcome is proposed by the 2GP to be achieved through enabling a suitable range of development options, and through guiding development towards the type of housing that is most needed by the community. The results discussed earlier in this study are consistent with these provisions.

The long-term (10-year) plan for Dunedin City (10YP) proposes that a priority action item for the City is to work towards a position whereby all people are able to live in warm, healthy and affordable homes. The same attitude is expressed in Dunedin's Spatial Plan (SPD), which sets a target date of 2050 in which all residents will have a wide choice of affordable housing options and opportunities. This study has put forward methods that are expected to advance the objectives of the 10YP and SPD policies. Of particular note is the action proposed in the SPD that its policies will be implemented through suitable provisions incorporated into the 2GP. The current Variation 2 initiative presents an opportunity for Dunedin City Council to advance this action point.

The results of this study are also compatible with the City's Housing Policy, Social Housing Strategy and Social Wellbeing Strategy. The Housing Policy aims to provide accommodation for those residents whose needs are not otherwise adequately met in the

community. The Social Housing Strategy and Social Wellbeing Strategy describe similar objectives, and both seek to achieve a position whereby all of the City's residents have access to suitable affordable housing options. The mobilisation of land for affordable housing purposes, as discussed in this study, is entirely consistent with the objectives of these three local policies.

The results of this study also correlate closely with the findings described in the Mayor's Task Force for Housing report. Earlier in this research four relevant action points from the Task Force's housing action plan (refer Table 17) were identified, these being:

- That Dunedin City Council show leadership in enabling the development and delivery of more affordable rental housing in Dunedin.
- That Council adopts a policy and develops tools to ensure new developments help meet Dunedin's social and affordable housing needs.
- That Council designate a Housing Navigator/Facilitator to assist residential developers navigating the resource and building consent processes.
- Joint procurement strategy for high quality, affordable homes.

The results of this study closely align with these four actions. The actions describe in bullet points one, three and four above are initiatives that promote Dunedin City Council taking a leadership role in the advancement of affordable housing outcomes, with a particular focus on facilitatory and collaborative processes. Knowledge contained in the literature, and primary research reported in this study, agree that these actions might be expected to have positive affordable housing outcomes. However, it is the action that is described in bullet point two above, which proposes that the local authority develops suitable policy and tools to help meet the City's affordable housing needs, that is especially pertinent to the results of this research. This study has found that there does indeed appear to be an opportunity for Dunedin City Council to design an affordable land policy, which might contain a range of implementation mechanisms, in a manner that is able to provide a positive response to affordable housing issues.

The following section describes a range of recommendations should Dunedin City wish to contemplate the implementation of a policy to encourage mobilisation of land for affordable housing purposes from private development activities.

6.3 RECOMMENDATIONS

A number of recommendations have been developed from the findings of this research. The recommendations below relate to the opportunity for Dunedin City to achieve desirable affordable housing outcomes through the design and implementation of a policy to support the mobilisation land from private development projects:

1. Without a doubt, Dunedin City is currently experiencing a high level of housing stress and an associated shortage of affordable housing opportunities. The common expectation is that this situation is likely to worsen over the foreseeable future. To respond to this situation, the local authority has instigated several activities, consisting of the initiatives expressed in the housing action plan and the proposed Variation 2 district plan change. However, with the new knowledge offered by this study, particularly around the different levels of housing unaffordability that exist within the different household income quintiles, it is recommended that Dunedin City Council consider the value of designing new policy, potentially as part of the Variation 2 process, to provide targeted affordable housing mechanisms, as an efficient method of achieving desirable outcomes where they are most needed.
2. Even within the lower household income bands there are different community needs in respect of housing. The social housing resource may need to be bolstered to provide accommodation support for those people that have the highest needs. Alternatively, it may be the need for additional community housing that is greatest, in support of households that do not quite qualify for existing assisted accommodation programmes available with Dunedin City. Presently, there are a number of not-for-profit organisations operating social housing programmes within the City, but there are few, if any, organisations offering community housing support that is designed to enable low-income households to transition into a full ownership outcome (through shared-equity and other progressive ownership arrangements). Should Dunedin City Council determine that the affordable housing situation warrants a targeted response approach, it is recommended that the Council then considers whether this

approach would be most effective if targeted towards the community housing submarket in order to fill this apparent gap in housing support services.

3. The findings of this study suggest that an inclusionary zoning policy may be a viable mechanism to enable the mobilisation of land for affordable housing purposes. An inclusionary zoning policy might also encourage greater redevelopment of old, poor-quality houses. This policy would most likely need to be a voluntary option, with density bonusing incentives, in order to be effective in the existing residential zones, but could possibly be a mandatory feature of new residential zones where uplift in the land value is able to support both the desired community outcomes and sufficient financial returns from development of the land. Development of an inclusionary zoning policy should be undertaken in an open and collaborative manner, with all stakeholder groups invited to participate. This approach will more likely result in a successful and highly utilised outcome. Additionally, Dunedin City Council should consider publishing educational material, such as development guidelines, to assist people and organisations undertaking inclusionary zoning developments to fully understand the associated standards and implications.
4. Beyond the concept of an inclusionary zoning policy, it is recommended that the Dunedin City Council reviews its current policy framework in respect of the provisions that control the intensity of residential development activities within its region of jurisdiction. Relaxation of certain elements of the existing planning policy framework, including the density provisions applicable to the General Residential 1 zone and the lack of support for non-traditional forms of development formats (communal living environments for example), would appear to present an opportunity to increase the urban capacity relatively easily and to a potentially significant extent. However, it may be difficult to include provisions in this policy relaxation review that provide outcomes targeted to addressing affordable housing issues, and it may therefore be prudent for consider how this mechanism might be implemented together with a range of targeted policy measures, and how the strategy as a whole might be designed to function in a coordinated manner.

5. It is further recommended that Dunedin City Council considers implementing improvements in the consenting and engineering approval processes that are presently in place within the organisation. Related to this, it is recommended that Dunedin City Council reviews its fee structures for resource consents and development contributions, to determine whether there is any scope to incentivise preferred forms of development through a reduction in the fees that would normally apply. Neither of these items are expected to significantly promote the delivery of affordable housing outcomes, but a small movement in this direction is potentially likely. A secondary, and possibly more effective, product of a review of the local authority consenting processes might be a platform that better enables opportunities for engagement and partnership between the various development stakeholders.
6. In addition to local mechanisms that are designed to address affordable housing issues, it is recommended that Dunedin City Council engages with central government on a number of fronts to promote meaningful affordable housing outcomes in the local context. Relevant avenues of engagement might include the possibility of new legislation, an improved KiwiBuild scheme (with a progressive ownership program), greater access to HUD funding for infrastructure, a greater national commitment to increasing the state-owned social housing resource, an expansion of the accommodation supplement programme, and enhancement (or at least maintenance) of the KiwiSaver, HomeStart and Welcome Home Loan schemes.
7. An important component of this research is the case study undertaken in Queenstown-Lakes District, and in particular the operation in that region of the Queenstown-Lakes Community Housing Trust. The establishment of a trust to take responsibility for the delivery of the local affordable housing resource as well as to develop and manage a range of tailored affordable housing programmes appears to have been an astute decision for Queenstown-Lakes District, with the trust evidently achieving a level of success over the time that it has existed. This begs the question of whether a similarly mandated trust could be a successful proposition for Dunedin City. The answer to this will depend on the nature of any affordable housing mechanisms that are implemented locally.

For instance, if a strategy is introduced that supports shared-equity ownership of housing units, then a not-for-profit trust may well prove to be the most appropriate organisation to hold the community's share of the ownership of these units. It is recommended that Dunedin City Council considers the advantages and disadvantages of establishing a new not-for-profit housing trust as a means of administering the proposed affordable housing strategy (comparing these against any appropriate alternative options).

8. Finally, whatever the form of any policy intervention intended to respond to affordable housing issues, it is recommended that Dunedin City Council makes an ultimate evaluation of the efficiency of the strategy prior to proposing its implementation. There is likely to be some cost in implementation of the strategy – almost certainly of a financial nature and possibly of an intangible nature also (such as loss of residential amenity values) – and it is critical that the local authority is able to have confidence that the benefits provided by the policy will outweigh its costs. In this sense, the policy will need to produce outcomes that are meaningful in the Dunedin City context. It is recommended that Dunedin City Council determines, in partnership with the local community, what a meaningful outcome looks like. This understanding will guide the policy implementation process and will ultimately drive the design of a suitable delivery program.

In the final chapter below, the study reflects on the original research question, it reviews the research journey, and it ultimately considers the relevance of the research findings. Lastly, the study proposes several areas of further research that is expected to offer further insight into the affordable housing issues that affect Dunedin City, and how these might be overcome.

7 CONCLUSION

The study began its journey by asking the question:

‘How might Dunedin City enable the mobilisation of land for affordable housing as a component of private land development?’

To answer this question, the study has traversed a broad expanse of existing affordable housing knowledge, sourced from literature and through consideration of local demographic information, and it has augmented this knowledge through a programme of primary research designed to better understand the relevant affordable housing issues and opportunities that exist within Dunedin City. Three research objectives were developed as a means of guiding the study through this journey; designed in a sequence such as to investigate the relevant affordable housing issues, to understand how an affordable land policy might assist the identified problem, and to determine which elements of an affordable land policy are able to be supported by local stakeholders.

Primary research comprises interviews with participants from local authority planning departments, national and local housing provider agencies, and private land development organisations, as well as site visits made to several existing affordable housing developments. These primary research activities were carried out with an understanding of the researcher’s own positionality, being a professional land development consultant who has operated within the study region for upwards of 20 years, and this brings both benefits (such local knowledge and an established understanding of local policy and local attitudes) and limitations (such as the potential for unconscious bias).

The research project has condensed its learnings into a number of recommendations. These, in brief, propose that an inclusionary zoning policy, with development incentives, may be a viable mechanism to enable the mobilisation of land for affordable housing purposes, and that Dunedin City Council may be able to restructure both existing planning policy, such as zone density regulations, and existing planning processes, such as public participation requirements, in a manner that will support the mobilisation of land for affordable housing purposes.

This research may assist Dunedin City Council in consideration of a policy response to the current level of housing stress and housing unaffordability that is apparent within the

City. The findings of this study offer an additional branch to the body of knowledge that describes the local affordable housing landscape. The value of this research lies in its potential to provide constructive guidance to Dunedin City Council in the event that the community expresses a convincing desire for specialised intervention into the affordable housing market.

To assist in the design of appropriate mechanisms to respond to affordable housing issues in Dunedin City, particularly where these mechanisms seek to encourage the mobilisation of affordable land from private development, it may be helpful or necessary to undertake further research. The following elements of future research may be relevant:

1. The demographic information that has been used by this study to assess the different levels of housing affordability across the different household income bands has provided a representation of where housing stress is most significant. This shows that housing in Dunedin City is considerably less affordable for those households that occupy the lower two quintiles of the income spectrum. However, there are a range of limitations expressed at the conclusion of the demographic subsection that qualify the precision of this analysis. A more refined appraisal of household stress levels across these the income bands may be helpful to further develop the findings of this study. For instance, it would be interesting to see how the 2018 census data for household incomes (which is due to be released in late 2019) compares to the income data that has been used by this study. This further research could be used to refine our understanding of housing affordability for both the ownership and rental markets.
2. It is recognised in the study that inclusionary zoning policies, particularly where these include associated density bonusing incentives, may encounter difficulties in respect to community concerns over neighbourhood amenity value impacts, potential infrastructure capacity issues, and/or topographic constraints to effective land development. Accordingly, there would be value in undertaking further research to better understand to what extent these potential difficulties might obstruct the performance of an inclusionary zoning policy, and whether the policy could be designed in such a way as to minimise these uncertainties, or avoid them altogether.
3. It would be valuable for further research to be carried out to determine the optimal arrangement for density bonusing provisions. There needs to be an appropriate

balance between the alternative density permitted in an inclusionary zoning development (assuming density bonusing will be applied) and the value of the affordable housing contribution that the development organisation will be liable for. This balance needs to provide a financial advantage for the development organisation and it needs to provide meaningful affordable housing outcomes. It is recommended that the private sector community be invited to assist with this further research.

4. The mobilisation of land for affordable housing purposes is only one half of the equation, with the other half comprising the cost of housing construction. Opportunities to respond to the affordable housing problem through changes to construction processes have not been investigated in this study. This research avenue may present options that could enhance, or otherwise influence, how a land mobilisation policy is designed.
5. Due to the established nature of the City's built form, which comprises many poor-quality and underutilised structures (many of which were designed for commercial activities that have long disappeared), there appears to be a reasonably significant opportunity for the development of brownfields residential projects, including apartments, communal living and co-housing arrangements. This study has not delved deeply into these non-traditional forms of residential development. However, concerns have been raised within this study as to the large costs associated with renovating and redeveloping these buildings (including earthquake strengthening costs). Further investigation into the development of non-traditional forms of housing, and into the impediments affecting new brownfields residential developments would very likely provide knowledge that can be used to bolster the findings of this study.
6. Finally, due to the short timeframe of the research programme, the study has not been able to engage with certain community sectors, such as Māori representatives, people who might qualify to occupy an affordable house, and vulnerable members of the community. Further research will need to be undertaken to ascertain the views and concerns of the whole community in respect of the options available to respond to the affordable housing problem. These perspectives will be critical to the design of a policy to mobilise land for affordable housing from private development projects.

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APPENDIX A

Information Sheet for Interview Participants (sheet 1 of 2):

Reference Number: 1812 Date: 05 July 2019



*A study into the feasibility of an Affordable Land policy
for private development in Dunedin City.*

INFORMATION SHEET FOR PARTICIPANTS

Thank you for showing an interest in this project. Please read this information sheet carefully before deciding whether or not to participate. If you decide to participate we thank you. If you decide not to take part there will be no disadvantage to you and we thank you for considering our request.

What is the Aim of the Project?

This project is being undertaken as part of the requirements for the University of Otago Master of Planning degree. This research aims to evaluate the state of affordable housing in Dunedin City, and whether the implementation of an affordable land policy for private development might be a feasible way for additional affordable housing to be provided.

What Types of Participants are being sought?

To aid this research, participants are being sought who have either a background in policy formation and/or consent processing at Dunedin City Council or Queenstown-Lakes District Council, or a background working with housing industries/ agencies, or a background in private land development within Dunedin and Otago.

If you agree to be a participant in this research, you will be required to sign a consent form. This form confirms to participants that they will not be named within the research. You will also be asked on the form if you would like to receive a copy of the thesis report. If this option is selected a copy of the report will be supplied to you, but only after it has been marked and released from the University.

No compensation or reimbursement costs will be paid to participants. The researcher will travel to the participants, thereby avoiding the participant having to incur travel costs.

What will Participants be asked to do?

Should you agree to take part in this project, you will be asked to undertake an interview for the purposes of the researcher gaining information related to affordable housing issues around Dunedin City and Queenstown-Lakes District, and information that might assist in the consideration of an affordable land policy for Dunedin City.

Interviews are expected to take no longer than an hour. These will be undertaken at a venue that is convenient for the participant.

Information Sheet for Interview Participants (sheet 2 of 2):

Anonymity will be kept throughout the research document with only a brief description of the person's position within the industry, through either a job title or classification given to the organisation (e.g. Local Government Representative, Developer etc). The names of informants will not be used in the research.

Please be aware that you may decide not to take part in the project without any disadvantage to yourself.

What Data or Information will be collected and what use will be made of it?

With the permission of the participant the interview will be audio recorded. The data obtained as a result of the interview will be retained in secure storage and then destroyed 5 years following completion of the research. Only the two people named below, and an external transcribing agency, will have access to the interview data. No video-taping will occur.

Anonymity will be kept throughout the research document with only a brief description of the person's position within the industry, through either a job title or classification given to the organisation (e.g. Local Government Representative, Developer etc). The names of informants will not be used in the research.

This project involves an open-questioning technique. The general line of questioning focuses on affordable housing issues within Dunedin City and Queenstown-Lakes District, and the feasibility of introducing an affordable land policy for Dunedin City. The precise nature of the questions that will be asked have not been determined in advance, but will depend on the way in which the interview develops. Consequently, although the Department of Geography is aware of the general areas to be explored in the interview, the Committee has not been able to review the precise questions to be used.

In the event that the line of questioning does develop in such a way that you feel hesitant or uncomfortable you are reminded of your right to decline to answer any particular question(s).

Can Participants change their mind and withdraw from the project?

You can withdraw from participation in the project at any time and without any disadvantage to yourself.

What if Participants have any Questions?

If you have any questions about our project, either now or in the future, please feel free to contact either:-

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School of Geography		School of Geography
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Email Address: bowku069@student.otago.ac.nz		Email Address: ash.alam@otago.ac.nz

This study has been approved by the Department stated above. However, if you have any concerns about the ethical conduct of the research you may contact the University of Otago Human Ethics Committee through the Human Ethics Committee Administrator (ph +643 479 8256 or email gary.witte@otago.ac.nz). Any issues you raise will be treated in confidence and investigated and you will be informed of the outcome.

APPENDIX B

Interview Questions – Master Set:

Theme	Interview Questions
The lack of sufficient affordable housing is a problem for a well-functioning society.	What does the term ‘affordable housing’ mean to you?
	What are the main issues that you consider associated with affordable housing?
	Is there a lack of affordable housing in Dunedin City, and is this situation getting better or worse?
	What factors or situations contribute to creating an affordable housing problem?
	In particular, to what extent (if at all) does a lack of available residential land contribute to a lack of affordable housing?
	How well has the Queenstown-Lakes District affordable land policy responded to the perceived need for affordable housing?
The affordable housing landscape in New Zealand is relatively complex.	Who do you think should be responsible for driving affordable housing outcomes? <i>Note, discuss government, local authorities, housing agencies and private developers.</i> What are the relevant strengths and weaknesses of these actors?
	Is the national legislation framework sufficiently robust to provide a vehicle for affordable housing initiatives? <i>Note, AH:ETA now repealed, HAASHA soon to be repealed, RMA relatively non-specific in terms of affordable housing.</i>
	Does national and local policy adequately support affordable housing initiatives? Can KiwiBuild deliver on its affordable housing objectives?
	How is Dunedin City Council responding to the requirements of the NPSUDC? Do you think that the provision of more residential land, as promoted by the NPSUDC, will help to address affordable housing issues?
	Does the local planning regime in Dunedin City, including zoning regulations and consent processes, pose any difficulties or incentives in achieving affordable housing and/or affordable land outcomes?

The provision of affordable land can support desirable affordable housing outcomes.	Do you think that the mobilisation of affordable land is able to support desirable affordable housing outcomes?
	To what extent does land price impact on affordable housing? To what extent could a reduction in land price contribute to achieving desirable affordable housing outcomes?
	Are there more efficient ways in which affordable housing issues could be addressed (instead of providing affordable land), or are there methods to address affordable housing that should be implemented in addition to providing affordable land?
There are various methods available to promote the provision of affordable land.	<p>My research to date has identified a number of methods that can be utilised to support the mobilisation of affordable land. I would like to know your thoughts on each of these methods...</p> <ol style="list-style-type: none"> 1. New development contribution charges could potentially be imposed on private development as a means of funding affordable housing initiatives. Conversely, existing development contribution charges could be reduced as an incentive for private development to provide affordable land options. Do you think that either of these options could be effectively implemented in Dunedin City, and if so, to what degree could these assist affordable land outcomes? 2. Inclusionary zoning involves the government or local authority requiring a certain percentage of sites from a private development to be set aside for affordable housing. What would be the implications of this approach within Dunedin City? 3. Density bonusing, often incorporated into inclusionary zoning policies, allows an increase beyond the normal allowable density of a particular development site, with a certain percentage of sites then set aside for affordable housing. Is there merit in this approach? Would this approach conflict with any of the residential outcomes anticipated by the district plan? 4. Relaxation of zoning regulations (e.g. zone boundaries, zone-related performance standards, etc.) is often considered a means of promoting greater residential development. Could this assist the provision of affordable land within Dunedin City? 5. Relaxation of consent processes can reduce costs and/or enable more certain outcomes. Is there scope for Dunedin City to promote affordable land outcomes by making the consenting process easier?

	6. Shared-equity schemes have proved successful in some areas. These come in a variety of forms, but one option is for a local housing agency to retain ownership of the land and to lease this to the property owner at a highly subsidised rate (sufficient to cover the agency's administration costs). Do you think that the shared-equity concept is something that could work in Dunedin City?
	Are there any other methods that you are aware of that could promote the provision of affordable land?
	Could any of the above methods be more effective if implemented together with other methods?
	Some regions enable a case-by-case 'negotiation' process between the local authority and private developers as a way of deciding on appropriate affordable land provision. Is this an effective method, or are rules that treat all developments in a prescribed manner more suitable?
There can be difficulties in mobilising affordable land.	Do you see any difficulties in developing and implementing a policy to provide affordable land?
	Would a policy of this nature be acceptable to private developers?
	Would a policy of this nature be acceptable to private landowners, in the event that affordable land is made available within their neighbourhoods?
	Should the 'affordable' aspect of affordable land (or affordable housing) be maintained over time? If so, how could this occur?
	What costs do you think would be incurred as a consequence of implementing an affordable land policy in Dunedin City?
An affordable land policy for Dunedin City.	Overall, do you think that an affordable land policy for Dunedin City could be an effective way to address affordable housing issues?
	Overall, do you think that an affordable land policy for Dunedin City could be implemented in a manner that relevant stakeholders could all support? If so, what would be the key elements of the policy (and what things should be avoided)?
	Would Dunedin City benefit from having a dedicated not-for-profit housing agency that is able to receive land and funds and administer a local affordable housing program?